

**THE EFFECTIVENESS OF LOCAL ECONOMIC DEVELOPMENT UNIT IN  
IMPROVING SOUTH AFRICAN LOCAL ECONOMIES: A CASE OF POLOKWANE  
LOCAL MUNICIPALITY IN LIMPOPO PROVINCE**

**by**

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## DECLARATION

I **Chungu Mamahlodi Mashabela** hereby declare that research titled “the effectiveness of Local Economic Development unit in improving South African local economies: A case of Polokwane Local Municipality in Limpopo Province” submitted to the University of Limpopo for the degree of Master of Public Administration and Management has not previously been submitted by me for a degree at this or any other university; that it is my work in design and in execution, and that all material contained herein has been duly acknowledged.

**Mashabela C.M (Ms)**

**12 July 2021**

## **DEDICATION**

This study is dedicated to my beloved parents and siblings for their continuous support. I hope this will serve as an inspiration to my siblings.

## **ACKNOWLEDGEMENT**

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## **ABSTRACT**

The purpose of the study was to assess the impact of Local Economic Development (LED) in South African municipalities. LED is meant to address socio-economic injustices inherited from the apartheid regime and provide economic emancipation for all in South Africa. It has been two decades since the inception of LED in South Africa; however, the objectives of LED are seemingly declining. The country is currently experiencing weak economic growth with high unemployment and poverty rates in its communities. The study investigated the nature and role of LED unit as well as strategies in place for implementing LED in local economies. It also investigated the challenges that LED official encounters in the implementation process of LED. The opportunities of the local economy have been identified in order to provide a platform for local economic policy reforms that can be used to recover economic bottlenecks. The study is empirical and used Polokwane Local Municipality as its study area. Both qualitative and quantitative research methodologies were employed in the study in which interviews and questionnaires were used to collect primary data. The target population of the study included LED officials in Polokwane Local Municipality and individuals who benefit from LED strategies. The population was sampled randomly and purposefully based on the participants' contextual experience on the objectives of the study. The study found that LED unit in Polokwane Local Municipality is not effective in its implementation of LED. There are LED initiatives in place; however, such initiatives are not entirely effective. The study argues that the role and strategies of LED unit are sound on the paper; however, it lacks maximum impact. The study therefore, provided a number of recommendation that could enhance the effectiveness of LED. The following are some of the recommendation: the LED unit should establish LED awareness that will educate and inform community members of LED; the LED unit needs to have adequate measures to regulate informal trading that is inclusive of foreign traders; LED unit formulates LED policies and strategies in line with opportunities of LED in the municipality; sufficient skills development programmes in the LED unit; the LED unit must provide adequate infrastructure that is suitable for economic growth and should undertake available economic opportunities in each community.

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## CHAPTER ONE: INTRODUCTION AND BACKGROUND

### 1.1. INTRODUCTION

This chapter discusses the background of the study, problem statement, aim and objectives, research questions, research design and methodology, data analysis validity, reliability ethical considerations and significance of the study. Poverty and unemployment are the predominant factors that threaten economic development globally (Sijabat, 2015). South Africa experiences poverty and unemployment which causes the country's decline in the economy's growth (Makaringe, 2018). Limpopo Province is leading in South Africa with 67,5% of adults living in poverty followed by Eastern Cape with 67,3%, KwaZulu Natal with 60,7% and Northwest with 59,6% (Statistics South Africa (Stats SA), 2019). The unemployment rate is 27.6 % in South Africa, and it has increased by 0,5% as compared to 2018 (Stats SA, 2019). The increase in the unemployment rate has resulted in the decline of employed people in 2019 as compared to 2018 (Stats SA, 2019).

Limpopo Province decreased in employment by 75 000 in 2019 and the country experienced a decrease in employment by 237 000 in 2019 (Stats SA, 2019). Unemployment rate per Province in South Africa is as follows: Eastern Cape records 37%, followed by Free state with 34.9%, Mpumalanga with 34%, Gauteng 28.9%, Northern cape with 26%, kwazulu Natal 25.1%, Western Cape with 19.5% and Limpopo with 18,5 % (Stats SA, 2019). Limpopo Province records the lowest unemployment in South Africa despite recording the highest percentage (67.5%) of adults living in poverty in the country. Three provinces records less than 50% of labour participation rate and six provinces records above 50% of labour participatory rate (Stats SA, 2019). Limpopo province have the lowest labour participation rate with 45.6% followed by Eastern Cape with 48% and kwazulu Natal with 49% (Stats SA, 2019).

It is evident that South Africa is confronted with socio-economic problems and effective corrective measures are necessary to improve the country's economic status quo. The South African government use Local Economic Development (LED) as a tool to curb poverty and unemployment rate. The government strives to improve the status quo of the economy and ultimately improve the quality of life for all through the LED. LED is perceived as a useful tool to alleviate poverty and create jobs around the globe

(Masuku, Jili & Selepe, 2016). The objective of LED is to boost and sustain local economies (Kamara, Leonard & Haines, 2017). The significance of LED is reflected by job creation, new economic opportunities, broadening tax and revenue bases within a municipality (Koma, 2014).

The implementation process of LED in South Africa is governed by a legislative and policy framework. The White Paper on Local Government (1998) introduced the LED as an Integrated Development Plan (IDP) element that is used to address the agenda of developmental local government. Municipal System Act 32 (2000) states that LED functions is legislated as part of IDP in the municipality. The South African government through the LED, empowers and promote entrepreneurs, society and home-based organisations in an attempt to create a conducive environment for poverty alleviation and creating jobs. The municipalities are mandated by a legislation to create a conducive environment for growing local economies (Botes, 2002).

It is on this basis that the local municipalities have LED units in South Africa. However, small municipalities do not have a fully fleshed LED unit as only two or three officials are responsible for the implementation of LED. It is only category A and only a few category B municipalities that have a dedicated LED unit. The roles of the LED unit include that of being a stimulator, a facilitator and a co-coordinator (Meyer & Venter, 2013). LED unit formulates strategies in line with its roles when implementing LEDs. The municipalities guarantee local economic empowerment and the dynamisation of local resources through the LED (Kamara, Leonard, & Haines, 2017). The municipalities should develop a robust and inclusive local economies with a high level of coordination between all spheres of government for the LED unit to have an impact on poverty alleviation (Kroukamp, 2006).

LED stakeholders work together to realise its effective implementation. Collaborationism of all stakeholders in implementation stages promotes the effectiveness of the LED unit in any given locality (Masuku, Jili & Selepe, 2016). The government works together with the community, private and non-profit organisations in promoting local economies (Nel & Binns, 2002). The community members identify the local resources and implement the sustainable LED projects that are directed to the common economic objectives within the area (Nemanashi, 2010). Community members are encouraged to start their businesses using local resources.

The government implements LED initiatives such as enterprise development and tourism promotion that are intended to alleviate poverty. Job creation and infrastructure provision through public works programmes are seen as the most popular LED strategies in South African municipalities (Malemela & Yingi, 2016). The non-profit organisation's implement LED programmes to curb poverty in municipal localities. The private sector provides job opportunities to community members in the locality (Masuku, Jili & Selepe, 2016). The private sector comprises of new and existing companies that create job opportunities.

However, not all LED projects are successful. There are numbers of LED projects, particularly Small Medium Micro Enterprises, that fail due to various factors such as inappropriate planning, lack of market knowledge and access to funding. The number of SMMEs dropped from 2.48 million in 2017 to 2.44 million (1.4%) in 2018, and ultimately the number of jobs created by SMMEs dropped from 10.6 million in 2017 to 8.9 million in 2018 (The Small Enterprise Development Agency (SEDA), 2018). Poor implementation processes limit the success of LED (Rodríguez-Pose & Tijmstra, 2005). The challenges of LED include amongst the others corruption, human resource, financial resource and lack of coordination (Nkwinika & Munzhedzi, 2016).

Municipalities have the task to effectively fulfil the mandate of developmental local government through the management of local economic resources despite municipal challenges that hinder economic development in most municipalities. LED has opportunities in South African municipalities despite the existing challenges in the Unit. Therefore, the LED unit as well as LED stakeholders need to identify opportunities in the local economy and implement LED projects using the available resources. In doing this, the LED unit will ensure the collective management of local resources and local resources will be strategically directed to the development of local economies. This will ultimately enforce the relevance and effectiveness of the LED unit in South African Municipalities.

## **1.2. PROBLEM STATEMENT**

Unemployment and poverty are predominant challenges facing and threatening the South African economic development despite the inception of LED in municipalities. The government through LED strives to improve local economy's status-quo in its

quest to alleviate poverty, develop skills and create jobs within a locality. It is through LED programmes that the government assists community-based programmes; previously disadvantaged people; marginalised communities; attracts investment; establishes new industries; facilitate funding for entrepreneurs and provides support to SMMEs to allow them to take part in the local economy. This means that more community-based programmes, businesses and industries should be established in the municipal area. Such LED objectives can be effectively implemented through the provision of both financial and non-financial support from the government. However, despite government effort through LED, unemployment and poverty rates in Limpopo Province and the country as a whole is still high with small businesses struggling to receive funds due to lengthy procedures to access funds and often not receiving any funds at all. Based on this study, a question is raised that how effective is the LED unit in Polokwane Local Municipality in improving local economies.

### **1.3. AIMS AND OBJECTIVES**

#### **1.3.1. Aim**

Based on the question raised above the study aims to investigate the effectiveness of the LED unit in improving local economies.

#### **1.3.2. Objectives**

The objectives of this study are:

- To examine the nature and role of LED unit in South African Municipalities,
- To evaluate the effectiveness of LED initiatives taken to improve local economies in Polokwane Local Municipality,
- To investigate challenges encountered by LED unit in Polokwane Local Municipality and
- To analyse opportunities of LED unit in Polokwane Local Municipality.

### **1.4. RESEARCH QUESTIONS**

- What is the nature and role of the LED unit in South African Municipalities?
- How effective are LED initiatives taken to improve local economies in Polokwane Local Municipality?

- What are the challenges that the LED unit encounter in the Polokwane Local Municipality?
- What are the opportunities of LED unit in Polokwane Local Municipality?

## **1.5. RESEARCH DESIGN AND METHODOLOGY**

### **1.5.1. Description of the study area**

The Polokwane Local Municipality is one of the 278 municipalities in South Africa which seeks to provide socio-economic services and ensure quality life to all. Polokwane Local Municipality is located in the Capricorn District. It consists of approximately 377578.99 hectares; accounts for 3% of the land that total to approximately 124 000 km<sup>2</sup> in the central division of Limpopo Province and it is 23% urban as well as 71% rural in which 6% of the land consists of leisure, industrial, formal and informal businesses (The City of Polokwane, 2018). Polokwane Local Municipality has a population of 728 468 in which 1% are coloured people, 5% are white people, and 94% are African people (Municipal Demarcation Board, 2018). The population by age group is the following: Toddlers from 0-4 years are 12%, School going from 5-19 years is 31%, youth from 20-29 years are 20%, general working age from 30-64 years are 32% and elderly over 65 years of age are 5% (Municipal Demarcation Board, 2018).

There are 203 559 households in the municipality (Municipal Demarcation Board, 2018). There are both formal and informal employment opportunities in the municipality. Informal sector leads in terms of employment with 76.66% followed by formal employment with 23.34% rate, and the unemployment rate is 26.3% (City of Polokwane, 2018). The municipality has 5 clusters and 38 wards with 374,959 hectares of land (City of Polokwane, 2018). The following are the clusters with its population density per hectare: Mankweng with 2.2 population density per hectare; city cluster with 8.5 population density per hectare; Dikgale/ Sebayeng with 1.7 population density per hectare; Seshego with 27.2 population density per hectare; Moletji with 1.9 population density per hectare and Chuene/ Maja/ Molepo cluster with 0.4 population density per hectare (City of Polokwane, 2018). Chuene/Maja and Molepo cluster has more farms as the cluster has vast land of 189,037 hectares representing approximately 50% of the municipal land (City of Polokwane, 2018).

The economy of the municipality consists of the following: 3.4% Agriculture, 0.4% mining and quarrying, 8.5% manufacturing, 1.0% electricity, gas and water, 6.3% construction, 28.4% community-based organization, 19.7% wholesale and retail trade, 4.6% transport and storage, 12% private household, 9.9% finance, insurance and real estate, other 5.8% (Municipal Demarcation Board, 2018). Polokwane Local Municipality has Planning and Economic Development Directorate that oversees LED unit in implementing economic development programmes. LED unit is responsible for ensuring a conducive environment for economic growth and development. The unit develops and implements sustainable LED strategies. The strategies of LED in south African municipalities include the following: the provision of non-financial support to SMMEs; target and assist previously disadvantaged people so they can take part in the life on local economy; attraction of investment; retention of established businesses within the municipality; provide skills development and poverty alleviation programmes; facilitate LED projects and the creation of new industries (Nel, 2001).

### **1.5.2. Research design**

Research design guide the implementation of the research method of the study and analysis of collected data (Kothari, 2004). The study will employ both quantitative and qualitative research designs. The qualitative research will assist the researcher to get an in-depth understanding of the research questions. The quantitative research will enable the researcher to get generalised views of officials on the research questions of the study.

### **1.5.3. Target population**

Population refers to the precise set of individuals, elements and companies amongst the others which are being studied to conclude (Ngechu, 2004). The target population of the study is Municipal Manager (MM), Chief Financial Officer (CFO), Director in Planning and Economic Development, Manager in LED unit, LED unit officials and beneficiaries of LED unit (street vendors and SMMEs) in Polokwane Local Municipality. The targeted population will be studied as they each play a respective role in ensuring execution and effectiveness of LED within a municipality. The beneficiaries will be studied to evaluate the effectiveness of the LED unit in Polokwane Local Municipality. The researcher is confident that the targeted population has the

experience and are involved in the implementation of LED and have access to resources. They utilise the resources efficiently and effectively to create new job opportunities as well as alleviate poverty in a locality.

#### **1.5.4. Sampling technique**

The sample is part and parcel of the targeted population that is cautiously chosen to represent the study target population (Cooper & Schindler, 2014), hence, the sample is classified as who and what is being investigated. The study will employ both purposive and random sampling techniques (Babbie, 2005).

Purposive sampling will be done by purposefully selecting the MM, CFO, Director in Director in Planning and Economic Development and Manager in LED unit in the Polokwane Local Municipality. Purposive sampling assists the researcher to choose the targeted population based on experience, knowledge, education as well as training (Krysik & Finn, 2010). Therefore, the purposive sampling technique offers the researcher the chance to select participants who are most likely to provide relevant, accurate and detailed information necessary to address the research question (Sapsford & Jupp, 2006).

The random sampling will be done through the distribution of questionnaires to the Local Economic Development unit and the beneficiaries of the LED unit in Polokwane Local Municipality. The random sampling technique allows the populace an equal opportunity to participate in the study and enables the researcher to acquire different views of the people according to their individual experience. The random sampling technique includes all employees in the Local Economic Development Unit and beneficiaries of the LED unit in Polokwane Local Municipality.

#### **1.5.5. Data collection methods**

This study will employ both primary and secondary data collection methods. Primary and secondary data will be administered through field survey and reviewing the literature (Khomba, 2011). Interviews and questionnaires will be used to collect primary data and literature review will be used to attain secondary data. Literature review supplements primary data. Data collection methods are briefly discussed below.

#### *1.5.5.1. Interviews*

Municipal Manager; Chief Financial Officer; Directors in Planning and Economic Development and Manager in LED unit will be interviewed to obtain in-depth information regarding the effectiveness of LED initiatives, roles, challenges and opportunities of LED unit in Polokwane Local Municipality. This method of collecting data will enable the interviewee to express their views on the effectiveness of the LED unit in improving local economies.

#### *1.5.5.2. Questionnaires*

Self-administered questionnaires will be distributed to 20 officials in the Local Economic Development unit at the municipality and 370 beneficiaries of LED unit in order to determine general perspective on roles, initiatives, challenges and opportunities of LED unit in improving local economies. The total number of distributed questionnaires in LED unit will depend on the staff capacity in the unit.

#### *1.5.5.3. Documentations*

Secondary data will be obtained from various government policy papers, academic journal articles and books. As such, information from these sources will assist the researcher to gain and use previous information on the study undertaken (Bless, Smith & Sithole, 2013).

### **1.5.6. Data analysis**

When analysing data, obtained primary data will be examined to reach common findings and interpret the participant's view on research questions (Boeije, 2010). Data analysis permits the researcher to simplify the results of the sample used to collect data and generalise bigger populace, where the researcher is fascinated. Since the qualitative and quantitative approach will be used in this study, the descriptive and interpretative analysis will be used to analyse data (Bless et al. 2013). A qualitative approach is descriptive and entails close interaction with participants (Tracy, 2013). The study will employ thematic analysis in which themes will be developed in accordance to the study research questions to analyse the interviews.

The thematic analysis enables the researcher to understand shared experience and meanings in a systematic manner in which the researcher can identify common as well as uncommon concerning behaviour of the participants (Bruan, Clarke & Waete, 2016). This increases accuracy in the analysis (Boyatzis, 1998). The advantage of thematic analysis is its flexibility (Bruan, Clarke & Waete, 2016). This approach will enable the researcher to assess the extent to which the participants responded to the study research objectives. The qualitative approach enables the researcher to understand the context of the participants' performance and the rules that regulate their actions (Tracy, 2013). The interviews will enable the researcher to acquire an in-depth understanding of the implementation of Local Economic Development within the municipality.

The quantitative approach is interpretative and it converts conversational data into numbers. Moreover, a quantitative approach methodology use numbers to develop mathematical predictions and models (Tracy, 2013). The researcher employed Microsoft Excel 2010 software to analyse questionnaires. The software provides automated, flexible visuals and analysis of primary data (Fuller, 2011). The statistical package is essential for analysing experimental information in scientific research (Santos, Silva & Vieira de Azevedo, 2016). The software simplifies the analysis of practical information (Mouton & Babbie, 2001). The quantitative approach enables the researcher to understand the generalized views and context of implementing Local Economic Development in Polokwane Local Municipality.

#### **1.5.7. Validity and reliability**

Questionnaires and interviews will be tested through pilot testing before adopting the final version of the said questionnaires and interviews. Interview and questionnaires will be piloted to colleagues to evaluate whether the questionnaires and interviews produce required results. Therefore, the researcher will be able to review the validity and reliability of the acquired data.

##### *1.5.7.1. Qualitative research trustworthiness*

The trustworthiness of the study is benchmarked by the extent to which the researcher observes objectivity, credibility, transferability, dependability and conformability the researcher observes (Anney, 2015). Factors of trustworthiness measures will be

applied to the study. Below the measures of trustworthiness are briefly discussed and explained.

#### *1.5.7.1.1. Credibility*

Credibility refers to the extent to which confidence can be placed in the accuracy of the study research findings (Korstjensa & Moserb, 2018). Credibility is concerned with the accuracy of research findings (Shenton, 2004). Credibility determines whether the research findings reflect the initial views of the respondents or not (Graneheim & Lundman, 2004). The strategies of credibility include prolonged engagement with respondents, negative case analysis, triangulation and persistent observation (Shenton, 2004). The researcher will adopt a qualitative research method that is well established.

The study will, therefore, employ interviews as a tool of qualitative data collection method as it has been used before in scientific research. The researcher will ensure credibility by prolonging interview sessions with the participants and will also invest enough time into the study in order to be familiar with the context and setting of the study. The researcher will encourage the participants to be frank, honest and will also disclose the independent status of the researcher in order to enhance the credibility of the study.

#### *1.5.7.1.2 Transferability*

Transferability is concerned with the degree to which the study's finds apply to other institutions (Bitsch, 2005). The researcher will provide an in-depth description of the research process, participants' experience and the context in which such experience occurs in order to afford the reader the chance to assess whether the study's findings apply to their setting, particularly, local municipalities in South Africa.

#### *1.5.7.1.3. Dependability*

Dependability is concerned with the consistency of the study (Gasson, 2004). The strategies of dependability include peer examination, audit trail, stepwise replica and triangulation (Ary, Jacobs, Razavie & Sorensen, 2010). The researcher will employ

research design, methods and data analysis techniques that will be consistent and yield the same results if the study could be repeated with the same respondents and research questions. The researcher will safely keep all the raw data, records of interviews for the audit trail. The researcher will also employ the stepwise replica in which two researchers will analyse the raw research data separately and evaluate the results. If the separate analyses yield any inconsistency, the researcher will address such inconsistency in order to enhance the dependability of the study.

#### *1.5.7.1.4. Conformability*

Conformability is concerned with the extent to which the findings of the study represent reality and can be confirmed by other researchers (Bitsch, 2005). Conformability enforces objectivity as it ensures that the research findings reflect the phenomenon that is being investigated and does not reflect the beliefs or subjectivity of the researcher (Gasson, 2004). The researcher will analyse the collected data in the manner that the reader can confirm the findings of the study. The audit trial and triangulation can also enhance the conformability of the study.

## **1.6. ETHICAL CONSIDERATIONS**

The researcher will write a cover letter that will inform the participants who the researcher is, the purpose of conducting a research project, reasons why participants were selected and also who will have access to the information gathered. Including that their participation in the study is voluntary, and no individual will be forced to participate in the research project. A letter will be written to request permission from Polokwane Local Municipality to collect data. The researcher will further guarantee no kind of harm to the respondents through the research project. The researcher will also guarantee anonymity, confidentiality and privacy of respondents in securing data collected at all times. This will be achieved by storing the data in a location that has limited access and not disclosing information that will identify participants. Where necessary, the researcher will remove information that identifies the participants on the data. Moreover, plagiarism will be avoided in order to adhere to research ethics.

The researcher will ensure informed consent by duly informing the participants of how the collected data will be used and the permission to use data will be requested from the participants. The researcher will also inform consent by providing the informed

consent agreement signed by the participants. The researcher commits to respecting and treating the participants with dignity. This will always be achieved by being truthful at all times and will not conduct deception. The researcher guarantees the autonomy and safety of participants. Lastly, the researcher will apply for ethical clearance at the University of Limpopo. In doing this, the informed consent of participants is ensured, and the researcher observes research ethics.

### **1.7. SIGNIFICANCE OF THE STUDY**

The success of this study will assist South African Local Municipalities, particularly Polokwane Local Municipality to evaluate the effectiveness of the LED unit in improving local economies. Therefore, the study contributes to the growth of information to the practice of public administration, mainly the LED unit in Polokwane Local Municipality. This study contributes to research construction and expansion of knowledge in the discipline of Public Administration and other related disciplines for future reference. Future researchers who are interested in investigating the effectiveness of the LED unit in improving local economies can use this study as a means of reference. This study explores the nature and role of the Local Economic Development unit, the effectiveness of initiatives taken to improve local economies, challenges and opportunities of LED unit in the municipality. It further provides solutions for given challenges.

### **1.8. CONCLUSION**

The chapter provided the introduction and background, problem statement, research design and methodologies of the study. This chapter provided the need for the study to be conducted and the research methods in which the study will be undertaken. This section provided the foundation of the study and the construction of the study's framework. The following chapter provides a theoretical framework in which the study seeks to address the problem statement of the study.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1. INTRODUCTION**

This chapter discusses the definition of concepts, nature and role of LED unit in South African municipalities, the effectiveness of LED initiatives taken to improve local economies in South African local municipalities as well as challenges and opportunities of LED in South African local municipalities. This chapter also covers the theoretical framework which discusses the Location Theory, application of the Location Theory in South African context as well as the limitation of Location Theory.

The leadership provided by South African municipalities in the implementation of LED is crucial for the effectiveness of LED in South Africa. The local government provides the structure that seeks to create job opportunities and curb unemployment in South Africa. Such structure determines the effectiveness of the LED unit and serves as a foundation for evaluating the effectiveness of implementing LED in local municipalities. The current structure of implementing an LED is inherited from the apartheid regime (Malefane, 2009).

Local government is informed and guided by the national policy and legislative framework. A national policy such as the National Development Plan (NDP) 2030 guides the LED unit when developing and implementing LED strategies. The NDP provides long term goals of alleviating poverty and reducing inequality (National Planning Commission, 2017). This is intended to be achieved through inclusive economic development plans; improving the problem-solving capacity of state and leaders, and lastly, it intends to inspire and unite South African citizens (National Planning Commission, 2017).

NDP 2030 provides economic growth and development strategies that serve as an engine for the nature of LED unit's role and strategies. The NDP 2030 has transformed the South African planning system in all spheres of government (Subban & Theron, 2016). Developmental guidelines provided in the NDP 2030 include elements such as investing in infrastructure; export and skills development growth; improving the performance of labour market and improving the cost of living for the poor (National Planning Commission, 2017).

Another policy document that guides the implementation and role of LED is the notion of developmental local government which emanates from The White Paper on Local Government, 1998. The developmental local government refers to the local government that is committed to working with communities and other stakeholder within the community to improve the quality of life of all and thus meet the economic and social needs of the society (White Paper on Local governmental, 1998). LED strategies are typically planned for a period of three to five years in which the implementation processes are subjected to annual reviews guided by the availability of resources and monitoring as well as evaluation of economic indicators (Swinburn, Goga & Murphy, 2006).

## **2.2. DEFINITION OF CONCEPTS**

The following concepts are defined below: Local Economic Development, local economies and LED unit.

### *2.2.1 Local Economic Development*

As pointed out by several scholars, there are numerous definitions of LED (Abrahams, 2003; Leigh & Blakely, 2016; Meyer & Venter, 2013). For Blakely and Leigh (2016), LED is the tool used to create sustainable job opportunities and alleviate poverty in which local government, society, Non-Government Organisations (NGOs) and the private sector work together to improve status-quo of local economies. LED in the study's context is a process in which municipalities, society and the private sector collectively manage local resources in improving local economies. They work together to create sustainable job opportunities and alleviate poverty.

### *2.2.2 Local economies*

A local economy denotes economic system and activities which serves local people (Makhubo, 2015). In the context of the study, local economies refer to the market system, supply and circulation of monies in the immediate area. Individuals use local resources to produce goods and services that they sell to the rest of the community.

### *2.2.3. LED unit*

LED unit is the division in the South African municipality that is used to facilitate LED objectives and develop strategies fit enough to sustain local economic development (Meyer & Venter, 2013). In the context of the study, the LED unit is the department in the municipality that predominantly deals with the implementation of LED. It exists to promote and improve local economies through LED programmes.

### **2.3. NATURE AND ROLE OF LED UNIT IN SOUTH AFRICAN MUNICIPALITIES**

The LED unit is responsible for the implementation of the LED. The LED unit ensures that LED strategies and initiatives are aligned with the agenda of development in all spheres of government in South Africa (Khambule, 2018). The LED unit exists to create a conducive environment for investment attraction and promote socio-economic development in the municipality (Meyer, 2014a). The following are the roles of the LED unit in the South African Municipality.

#### **2.3.1. Coordinator**

The LED unit links its initiatives with other developmental programmes in the municipality and national government as a whole (Malefane, 2009). The objectives of LED are integrated with other municipal developmental objectives as LED is multidimensional and sectoral (Nel & Rogerson, 2002). This ensures the promotion of LED in South African municipalities. The IDP has a legal status that supersedes all other plans for local development, and it is intended to address municipal budget, land management, economic development and institutional transformation in a consultative, systematic and strategic manner (khuzwayo, Malefane & Mashakoe, 2008).

IDP enables LED unit to coordinate their LED initiatives with other municipal programmes. In reality, the coordinating roles appear to be relatively simple and straightforward. However, LED unit is a challenging duty to implement through coordination and execution of IDP when they are confronted with constraints such as limited organisational capacity (Nel & Rogerson, 2002). It is in such cases that the importance of interaction and consultation with and support of other stakeholders become essential prerequisites for the successful coordination of LED (Koma, 2014).

### **2.3.2. Facilitator**

The national government create a conducive economic environment that enables the effectiveness of LED initiatives. The local government uses LED agencies to assist and promote LED initiatives. The Department of Trade and Industry (DTI) provides LED support by developing and reviewing national LED policies based on guidelines and strategies (Patterson, 2008). The DTI also provides support to LED by directly intervenining and supporting the struggling LED units in local and provincial government (Patterson, 2008). Moreover, the DTI provide assistance and guidance on enterprise development; Facilitate the coordination with the provinces (Patterson, 2008). The Local government SETA support LED initiatives through skills development such as the provision of LED training and learnership (Patterson, 2008).

The government partners with communities through Sustainable Developmental Community Investment Programmes to improve the flow of local income (Department of Public Service Administration, 2003). The LED unit improves the investment environment in the area and this is done through restructuring developmental objectives, improving planning procedures and zoning regulations (Marais, Botes & Mosothoane, 2006). Facilitating LED through consultation include municipality holding consultative meetings with the private sector, society and NGOs stakeholder to engage on how to promote LED (Binza, 2005). This will also assist with building relationships, partnerships and networking vital for the creation of a favourable environment for LED (Khanya, 2006).

### **2.3.3. Stimulator**

To approach this role, the Unit has to actively support SMMEs by contributing to the formation and growth of the business through financial and non-financial support (Binza, 2005). Place marketing is also becoming a powerful mechanism to stimulates LED initiatives (Rogerson, 2010). he following are the factors of stimulator in South African municipalities: ensures a conducive socio-economic environment; plug the leaks in the local economy; develop human and social capital; enhance community economic development and SMMEs development, support clusters and business opportunities; facilitate community participation in created opportunities; organise necessary links with other government spheres; maintain a database of available support mechanism and grants for LED; market the area and provide marketing assistance to business; promote local business expansion and retention strategies;

encourage the formation of the appropriate partnership and coalition structures; and through preferential procurement policies, promote broad-based economic empowerment (Koma, 2014).

The government initiated agencies that support LED and assist in retention and growth of local enterprises, namely Sector Education and Training Authorities (SETAs); Small Enterprise Development Agency (SEDA) and Department of Trade and Industry (DTI), Industrial Development Corporation (IDC) (Nkwinika & Munzhedzi, 2016). Such organisation exists to provide support to the creation of job opportunities and improving local economies. The DTI has established SEDA, and this is a crucial support vehicle for enterprise in the locality, and it should be complemented with a network of sector-specific business and support service providers (DPSA, 2003). The department of Trade and Industry is, however, perceived to have to contract the objectives of DPLG in an LED programme (Patterson, 2008).

Other government departments implement the programmes that significantly implicate the implementation of LED. Such national departments include Departments of Public Works; Minerals and Energy; Agriculture, Environmental Affairs and Tourism. These departments provide the infrastructure that is needed to attract investment and affect the effectiveness of LED. Besides government support programmes, there is a range of non-governmental support initiatives that play a significant role in the process of implementing LED. The Development Bank of Southern Africa (DBSA) assists LED in financing the socio-economic infrastructure (DBSA, 2012). The bank does not only provide funding for LED infrastructure but also partner with local government on developmental projects. The South African Local Government Association (SALGA) advocates for the best interest of the local government in South Africa (Rogerson, 2010).

SALGA assists municipalities to develop LED programmes that speak national policies framework (Mahlawe & Cohen, 2010). It is responsible for the promotion of LED and municipal governance. International donors such as The World Bank, Department for International Development European Union, Department for International Development and German cooperation agency called (Gesellschaft für Technische Zusammenarbeit) GTZ provide a donation for LED projects (Patterson, 2008).

#### **2.3.4. Entrepreneur**

The municipal enterprises are capable of boosting local government with additional revenue that can be used to cover municipal expenditure. Enterprise revenue is essential as it can afford LED unit the opportunity to achieve maximum impact of LED initiatives. One of the elements that limit the effectiveness of implementing LED in South African municipalities is the lack of LED funding. Therefore, the local government can use municipal enterprises as a tool to increase municipal revenue and provide LED unit with sufficient funds (Mbecke, 2015).

Municipalities have various options in this regard which could vary from taking full responsibility of operating an enterprise or establishing a joint venture partnership with the private sector or a non-governmental organisation (Koma, 2014). This strategy is influenced by the needs, resources and constraints of communities in the locality. The decision to take full responsibility for the operation of an enterprise would usually occur in a large or well-resourced municipality and well developed institutional capacity (DPSA, 2003).

Entrepreneurship is essential in sustaining local economies, however, South Africa has no catalogue of best practices on public sector entrepreneurship, particularly, in national government (Leigh & Blakely, 2016). This is evident in the debacle of state-owned enterprises such as South African Airways and Eskom. This suggests that government established enterprises, however, fail to maintain and sustain the operation of such entities. Thus often, local authorities have been criticised for being unable to innovate and being extensively condemned as having insufficient entrepreneurship skills as compared to the private and voluntary sectors (Mbecke, 2015). However, entrepreneurship can be unproductive and destructive depending on political economic context (Leigh & Blakely, 2016).

#### **2.4. THE EFFECTIVENESS OF LED INITIATIVES TAKEN TO IMPROVE LOCAL ECONOMIES IN SOUTH AFRICAN LOCAL MUNICIPALITIES**

LED exists to promote the economy in the locality and ultimately improve quality of life for all (Mogalakwena Local Municipality, 2006). Hence, there are initiatives in place to alleviate poverty, create jobs and sustaining economic growth and development (Nthekele, 2014). LED strategies are typically planned for a period of three to five years in which the implementation processes are subjected to annual reviews guided by the availability of resources and monitoring and evaluation of economic indicators (Swinburn & Murphy, 2006). The strategies are useful for a certain degree, given the

fact that municipalities are faced with a number of challenges, such as limited resources and financial resources when implementing the given strategies (Nthekeleng, 2014). The following are some strategies used to improve local economies.

#### **2.4.1. Promotion and support of SMMEs**

The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa mandates municipality to carry out the following:

- Curb high unemployment rate through SMMEs.
- Inspire local competition by building the market places for localities in which they grow until they recognise the need for expansion.
- Reimburse the inequalities inborn from the apartheid era through Black Economic Empowerment as most of the SMMEs are still owned or controlled by those who were previously advantaged (Makhubo, 2015).

The promotion of SMMEs as job creation mechanism receives attention in South Africa (Slabbert, 2004). Numerous SMMEs programmes have been developed to enable the access of finance; markets and linkages, information and research; training and development (Meyer,2014b).

#### **2.4.2. Development and maintenance of infrastructure**

Education and health services, roads, security and safety amongst others are the basic infrastructure structures necessary for the operation of the society, it is the facilities and the products needed for the economy to operate (Sullivan & Sheffrin, 2003). The foundation of measuring good democratic governance and leadership performance lies in the development of infrastructure, however, the infrastructure development demand is higher while the resources to deliver the infrastructure are limited (Oyedele, 2012). Good governance ensures economic-political strength and is the only remedy that can reduce corruption as it promotes accountability and it reduces the levels of risk associated with substantial infrastructure investment as well as resource wastage through efficiency (Oyedele, 2012).

The provision of infrastructure creates job opportunities employment related to infrastructure is mostly in the field of construction, including civil engineering, commercial industries and public facilities (Bond, 2002). Construction provides jobs and training while it enhances labour productivity and the quality of life. Infrastructure

investment does not pay off predominantly because corruption reduces the quality of the infrastructure structure and economic return from infrastructure investment and many people do not afford the changes associated with the infrastructure such as maintenance and operation due to insufficient income (Mogalakwena Local Municipality, 2006).

#### **2.4.3. Attraction, retention and expansion of existing business**

In this strategy, municipalities ensure that companies in the locality do not leave the locality for a better attractive location. Retention and expansion of existing businesses ensure the maintenance and growth of companies in the localities (Slabbert, 2004). Companies in the localities can be maintained through the provision of adequate service and infrastructure (Slabbert, 2004). By retaining and attracting new business, a job can be created in the following ways: attracting new business from outside of the locality, backing the establishment of innovations and lastly by retaining and expanding existing business (Industrial Development Corporation (IDC), 2016).

The goal of retention and expansion of existing services is usually to help local businesses to increase their productivity, market share and advance to higher value added levels in the production chain (Bond, 2002). The advantage of retaining and expanding in the municipality is that it draws new industries to operate their business in that locality, thus promoting Small, Medium and Macro Enterprise (SMMEs) (Reddy, Sing & Moodley, 2003).

#### **3.3.4. Increase spending on local products**

The purchasing of goods and services that are locally produced has the potential of helping the government in its effort to retain and create many jobs by 2020 (Maqhekeni, 2014). Municipalities promote small businesses in the localities through the provision of stall hawkers to local traders (Nthekeleng, 2014). However, products such as sweets and public phones services are the low cost -low-profit products, in which most local traders are involved (Mogalakwena Local Municipality, 2006). These types of businesses are profitable on small scales; therefore, the levels of job creation by these type of business are shallow and typically employs one or two people (Mogalakwena Local Municipality, 2006).

#### **2.4.5. Export promotion and international trade**

Municipalities can evaluate the global market to spot probabilities of exporting goods and services that can be produced locally and competitively. Municipalities can also support local businesses to produce competitive goods and export to the foreign market. In order to compete internationally, a company in the localities needs to develop products that are cheaper to produce than anywhere else (Slabbert, 2004). It is crucial to stop the outflow of money from weak areas by inspiring residents to buy locally produced goods, supporting and building periodic markets, funding special events and local festivals, providing infrastructure using local labour and locally manufactured materials, promoting employee training and networking enterprises of all sizes in the local area (Bond, 2002).

#### **2.4.6. Human capital development and productivity**

The municipality needs to invest in human capital through skills development and education in order to ensure effectiveness and endures maximum of LED (Makhubo, 2015). One primary tool to seize economic opportunities is to invest in people (Sekhampu, 2010). Hence, government invests in populace education through bursaries allocation (Department of Cooperative Governance Traditional Affairs and Human Settlement (DCGTAHS), nd). After beneficiaries complete their studies, they trade their skills in both the private and public sectors in the different fields of their profession.

Indeed, people's education is prioritised (Mogalakwena Local Municipality, 2006). Education enhances technical skills, the capacity to be productive and the capability to be trained in numerous fields, which ultimately improves the economic performance in the country (Reddy *et al.* 2003). However, education and skills in local communities remain low, with most of the population without schooling (Sekhampu, 2010).

This falls short of the current opportunities in the community as numerous economic activities entail skilled and highly skilled professionals (DCGTAHS, nd). This strategy is vital in ensuring holistic development results of both economic and social benefits, and this can be realised by linking wages, human capital development and productivity (Makhubo, 2015). It is significant to skill residents as it encourages promotion and higher wages (Sekhampu, 2010). There is a fundamental connection between human capital development and promotion of wages in which a well-paid, fit and sound educated workforce is more productive (Reddy *et al.* 2003). This suggests that skilling

the poor in the society escalates their probabilities of participating in the local economy.

#### **2.4.7. Community economic development**

This strategy promotes community independence through skills development and human resource development (Slabbert, 2004). The provision of adequate essential services such as sufficient security measures, housing, local economic stimulation, water and sanitation is necessary for active community economic development (Helmsing, 2013). However, many rural municipalities struggle to provide services adequately, and it is a result of no revenue base due to high levels of poverty and unemployment (Nkwinika & Munzhedzi, 2016). Strategies employed in implementing community economic development includes employment brokering, support industries and businesses most likely to employ poor individuals, identify businesses that can be operated under community control (Roggerson, 2010). The community development improves local people access to economic opportunities and to establish new business ventures or gain employment (Makhubo, 2015).

The model in this strategy enables local communities to create their income, and it is of paramount importance that LED unit emphasis on strategic community economic development objectives directed to reduce the number of people depending on the government to survive (Malefane, 2013.) Such initiatives create revenue base for rural municipalities and broaden revenue base for a municipality when the indigents exit the weak register and afford to pay for rates and services rendered by the municipalities (Parliamentary Monitoring Group,2018).

Community economic development links employment training, human services and innovativeness development to improve job creation, careers and independence for previously disadvantaged communities (Slabbert, 2004). Indeed, this strategy aims to empower the previously disadvantaged community to take advantage of economic opportunities. The provision of essential services ensures that communities are geared towards economic activities. Therefore, the municipality can speed up the service delivery process by privatising services for both profit and non-profit (Helmsing, 2003).

#### **2.4.8. Linkage of profitable growth to redistributive development/ financing**

LED can be promoted locally if people can spend on local markets rather than advanced and bigger industrial towns (Reddy, Sing & Moodley, 2003). The linkage of profitable growth to redistribute development can be achieved if financial institutions with branches in wealthier areas open a branch in a low-income area, and such institutions must invest a certain amount of their turnover in local small business (Bond, 2002). Tourism attraction through heritage and cultural sites are efforts by local government to promote an attractive destination and also enhance its attraction for commercial, retail and government investment (Makhubo, 2015).

Attracting new businesses to the municipality and promoting local area in order for society and businesses to see the municipal area as a destination place to visit, reside and invest (Mbecke, 2015). Companies and people consider the cost of living, the proximity of the local marketplaces for goods and services, convenience of research and development institutions, access to transportation as well as whether the municipality delivers good infrastructure and services, societal risk such as crime and health services amongst the other (Reddy et al. 2003). This certainly affords the municipality a significant role in establishing positive environments for investment.

## **2.5. CHALLENGES OF LED IN SOUTH AFRICAN LOCAL MUNICIPALITIES**

LED exists to curb both poverty and unemployment, however, since the inception of LED, there is still alarming rates of unemployment and poverty in the country. Municipalities in South Africa achieved inadequate levels of LED success (Meyer & Venter, 2013). Furthermore, it has also reached a limited level of creating a conducive environment for jobs creation. Regardless of LED good policy framework and legislation, municipalities continue to face challenges when implementing LED (Munzhedzi, 2015). The following are challenges of LED: Human resources capacity; Financial resources; Corruption; Poverty and unemployment. The said challenges are evident that the strategies need to be revisited and adjusted in order to fulfil the objective of LED in South Africa

### **2.5.1. Human resources capacity**

Often LED unit in municipalities does not have enough recruitment process (Munzhedzi, 2015). The post of the LED officer is taken lightly and is often occupied by candidates that are incompetent and not suitable (Ingle, 2014). Appointment of unsuitable candidates hinders the process of attaining and fulfilling LED objectives (Munzhedzi, 2015). Most municipalities do not have adequate organogram and lack the capacity with other division, notably LED units with only one LED officer. In other instances, it is lack of LED funding that causes understaff of LED unit (Turner, Varghese & Walker, 2008).

### **2.5.2. Financial resources**

SMMEs in South Africa have access to credit offered by commercial banks (Turner *et al.* 2008). The government provides support to ensure the effective implementation of LED objectives (Munzhedzi, 2015). The support includes making economic infrastructure investments, controlling inflation, reducing tariffs and exchange control, tax incentives, constitutes non-financial support from the government (Malefane, 2013). The following are institutions initiated by the government to support LED: Small Enterprise Development Agency (SEDA), Industrial Development Corporation (IDC) and Department of Small Business Development (DSBD) (Nkwinika & Munzhedzi, 2016).

The government institutions that support SMMEs often have red tape procedures and lengthy complicated procedures to access financial support. The formal SMMEs are likely to be granted credit as they usually meet credit requirements compared to informal sector (Munzhedzi, 2015). LED funding is often inadequate to realise the objectives of LED (Turner *et al.* 2008). LED unit can only do so little with minimum budget. If LED donor funds are appropriately directed to its cause can have a significant impact on LED (Munzhedzi, 2015).

### **2.5.3. Lack of coordination**

Lack of coordination limits diversity in the economy of the locality (Meyer & Venter, 2013). In coordination impact, the economy as the private organisations that should partner and work together with the government to stimulate the economy competes with the government (Nkwinika & Munzhedzi, 2016). Generally, there is a lack of LED cooperation and interaction in all the spheres of government (Meyer & Venter, 2013) and the lack of interaction relationship between the people who plan and implement LED affects the intended outcome of LED (Khumalo & Thakhathi, 2012).

### **2.5.4. Corruption**

There are independent bodies in the public service that have been put in place to combat corruption in South Africa. Such institutions include the Public Protector; Auditor General and Public Service Commission (Constitution of the Republic of South Africa, 1996). Each institution has a unique mandate that enforces the constitutional mandate in South Africa, including to oversee the public accounts, prejudicial actions and the operation of the public sector. There is, however, a correlation between poverty and corruption. Where poverty exists, corruption exists despite the watchdogs (Lerrick, 2005).

Types of corruption in the public service include fraud, bribery and wealth misappropriation. Corruption predominated the public sector as the government solely provide the public services. This means that LED grants and subsidies may be granted to less deceiving candidates and often unworthy SMMEs may bribe their way to the grants (Nkwinika & Munzhedzi, 2016). Therefore, corrupt politicians have been perceived as the leading causes of poverty and limiting development in developing countries (Okafor, 2004).

### **2.5.5. Poverty and unemployment**

Poverty and unemployment conditions drive the community to migrate to developed cities in seek of employment (Nkwinika & Munzhedzi, 2016). Equally, poverty and unemployment contribute to the lack of municipal services payment in South Africa and subsequence to the community protests (Mavhungu, 2011). Unemployed individuals cannot participate in economic activities as they have no income to spend, and this leads to weakening of SMMEs turnover and ultimately, the weakness of the

economy in the locality. Unemployment causes dependency of community members to local government.

## **2.6. OPPORTUNITIES OF LED IN SOUTH AFRICAN LOCAL MUNICIPALITIES**

The global economy has strengthened from the year 2016 to date (The World Bank, 2018). World Gross Product (WGP) has been predicted to increase by 0.35% from 2018 to 2019 (The World Bank, 2018). However, economic activities are not evenly distributed across different countries in the world. South African GDP is forecasted to increase with percentage of 1.4 in 2018; 1.9 in 2019 and 1.9 in 2020 (The World Bank, 2018). Globally, link of infrastructure and tertiary sector have indicated economic growth followed by secondary and primary sectors (The World Bank, 2018). The Polokwane Local Municipality economy is connected to that of its neighbours and South Africa at large (Polokwane City, 2019).

There following are sectors that present LED unit with economic opportunities in its quest for job creation and poverty alleviation: Primary, Secondary and Tertiary sectors. The South African economy evolved from the primary and secondary sectors in the twenty century to domination of the tertiary sector to date (Mahamad Musstaf & Vagdevi, 2016). Natural resources and raw material constitute the primary sector while the production of raw material constitutes the secondary sector, and lastly, the tertiary sector is constituted by the provision of services (Fedderke & Pirouz, 2002). South Africa is rich in natural resources and has industries that are performing well and the service sector that is small yet a high contributor to the economy. In Polokwane Local Municipality, tertiary sector mostly contributes to the economy, followed by the secondary sector with a decline in the primary sector (City of Polokwane, 2018).

LED projects are determined by the climate conditions in the specific municipalities. Each municipality has its unique set of resources that can be strategically used to ignite the local economy. The community can direct the excess land to agricultural activities and use rivers for fishing. Industries can be established in the locality and local financial institutions can invest in sustainable community initiatives. Despite the challenges faced by LED, the local government is confronted with vast opportunities in the implementation of LED. There are untapped industries and markets in the South African economies that can be explored in order to stimulate economic growth and development. There is a lack of industries in Polokwane Local Municipality, therefore,

LED unit can invest in industrial parks in order to stimulate local economies. The following are the opportunities of the LED unit in South African municipalities.

### **2.6.1. Primary sector**

The primary sector is the foundation of most economic activities. Primary sector is made up of production and extraction of raw materials. Examples of the primary sector include agriculture, mining, forestry and fishing. Agriculture consists of vegetation and animal production. Mining consists of digging up minerals, while forestry consists of planting trees and harvesting for production. Primary sector determines the existence of the secondary sector as it provide the secondary sector with the inputs to process for final goods. Primary sector constitutes of raw materials needed to produce final goods and services. Primary sector was the chief driver of economic growth in 2017, particularly, mining and agriculture (The World Bank, 2018). The same growth rate has been declining in other economic sectors (The World Bank, 2018). Traditionally, mining is viewed as the heart of the South African economy (Fedderke & Pirouz, 2002). LED unit can utilise the land at Ga-Choene that accounts for 50% of Polokwane Local Municipality for forestry and farming.

### **2.6.2. Secondary sector**

The secondary sector is made up of a production of natural resources into valuable goods. Examples of these sector are construction and manufacturing. When the secondary sector is the highest in the country's GDP, it is labelled in developing countries. Industries of production have grown in the world with the condition of investment increasing as well (The World Bank, 2018). Secondary sector manufactures chemicals products, metal machinery, rubber, plastic, food and beverages (The World Bank, 2018). LED unit can establish an industrial park in Polokwane Local Municipality.

### **2.6.3 Tertiary sector**

The tertiary sector is made up of providing services. Examples of services sector are finance, businesses services and real estate. The growth of tertiary sector declined in 2017 with 1.9%, which is the lowest performance since 2014, particularly real estate, business services and finance (The World Bank, 2018). This sector has been the most robust performing sector in the South African economy in the past (The World Bank,

2018). Communication and personal services, storage and transport, have demonstrated growth with more than 1% in 2017 (The World Bank, 2018). Government general services demonstrated growth with 0.3%, and the decline is substantiated by growth in expenditure and collection of weak revenue (The World Bank, 2018).

Water and electricity demonstrated growth with 0.2% while catering, trade and accommodation demonstrated growth with 0.6%; construction demonstrated growth 0.3% in 2017 (The World Bank, 2018). In the South African economy, finance is demonstrating growth (The World Bank, 2018b). The finance industry adopted the standard of global finance and in 1990 has profited from reforms (The World Bank, 2018). The tertiary sector has contributed to the transformation of the economy (Hoekman and te Velde, 2017).

## **2.7. THEORETICAL FRAMEWORK**

The section discusses the Location Theory, application of Location Theory in South African economy and limitation of theory. There are various theories of LED employed to explain the performance of the local economy and attributes which stimulate or restraint economic growth in the locality (Plummer & Taylor, 2001). The theoretical framework can be understood as the proposed procedure that explains the cause and effect of observed occurrence (Troudi, 2010). Theories can be used to predict the reaction of certain phenomena, and they can also be applied to solve real-life problems (Sebola, 2015). Theory in its nature has three phases, namely, predictive, explanatory and control elements (Sebola, 2015). LED is theoretically equipped to address socio-economic problems in South African societies (Maloka, Mashamaite & Ledwaba, 2014). Theories of LED interrogate the procedures, actors and structures of economic growth in the specific locality (Gomez & Helmsing, 2008). There are several LED theories employed to probe economic activities in a specific locality (Plummer & Taylor, 2001).

The study employs Location Theory in order to predict and explain the ideal spatial development framework that has the potential to stimulate local economic growth and development. National growth policies and land use have become the national agenda (Gomez & Helmsing, 2008). The regulation of land use contributes to economic development. Spatial Planning and Land Use Management ACT 16 of 2013 set out the principles of land use that supersedes any other spatial development plan in South

Africa. Location Theory subscribes to the objectives of the Act as it ensures that the system of land use and spatial development promotes economy as well as social inclusivity. The theory determines optimal location choice and spatial distribution of economic activities. It provides a spatial model that leads to the opportunities of job creation as it minimises expenditure and increases the income of SMMEs. The theory is still relevant today as numerous scholars still write about it (Pontes & Pires, 2020; Demir & Kockal, 2019; Zaucha & Gee, 2019; Nkuna, 2016; Hallett, 2014; Leigh & Blakely, 2013; Capello, 2011).

The study aims to explain and predict the spatial development framework which LED unit can adapt and use to create more job opportunities in the municipality. LED unit needs a tool that will create job opportunities in a bigger scale for it to have maximum impact on the local economy. Polokwane Local Municipality lacks industrial and agricultural economic activities. Therefore, the study seeks to apply Location Theory in order to predict and explain economic growth and development through Location Theory.

### **2.7.1. The Location Theory**

Location Theory composes its theoretical methods with assumptions that shape the local economy. It determines the optimal location choice by interrogating factors that distribute to the economic activities in the specific locality (Malizia & feeder, 1999). The location of SMMEs has a vital impact on performance and ultimately, the survival of the business (Lumbwe, Anyadiegwu & Mbohwa, 2018). Entrepreneurs search for a location with features that best suit their business interests, and this is the basic approach to decision making of location. The selection process of a location choice is a major decision in any industry and is also a concern for communities as well as cities pursuing economic growth (Pascaciu & Puscaciu, 2007). All sectors in the economy require a location that yields maximum income and minimises expenses (Jordaan, Drost & Makgata, 2004). More often, entrepreneurs choose a location that maximises income in the market and minimises costs (Murray & Dowell, 1999). This means that more jobs are generated when income is maximised, and expenses are minimised.

Location Theory explains how SMMEs choose the location by providing minimisation of transport and rent cost model based on land use (Leigh & Blakely, 2013). The theory addresses the dilemma of location choice and entrepreneurs' attitude to interpreting

inconsistent economic patterns in local economies (Witlox & Timmermans, 1999). Location Theory has honoured tradition in social sciences and continues to have a fundamental influence in the discipline of economics, geography and regional science (Parr & Reynolds-Feighan, 2002). However, the theory is sometimes perceived as obscure due to the lack of experiments in distribution and behavioural patterns (Parr, & Reynolds-Feighan, 2000).

#### *2.7.1.1 Development and evolution of the Location Theory*

Location Theory was initially developed in the early 1800s as an ideal agricultural land use model in Germany. The theory was scrutinized by numerous authors who developed their models in line with the location of SMMEs. Pioneers of the theory are Johann Heinrich Von Thunen and Alfred Weber, August Losch and Melvin Greenhunt developed their versions of location theory based on von Thunen's model. Numerous models of Location Theory have been developed to explain the perceived spatial distribution on economic activities. The theory started with the interrogation of behavioural patterns in land rent and transport costs, which are directly proportional to determining farm's optimal location. The theory then evolved to maximisation of profit and market expansion (Witlox & Timmermans, 1999).

As the theory progresses, spatial differences with the variation of costs of production, size of the markets, features of the local resource were interrogated by scholars of Location Theory (Bingham & Mier, 1993). Johann Heinrich Von Thunen developed Location Theory in 1826, which focuses on the ideal location for agriculture crops in an area (Von Thunen, 1826, translated in 1966). Von Thunen was the first scholar to write about Location Theory (Parr & Reynolds-Feighan, 2000). The theory focused on the primary sector's economic activities in a specific town. Von Thunen's work reflected its significance through the acknowledgement of the work by various researchers (Burdina, 2004). Alfred Weber developed an industrial location model in 1900, which predicts and determines the optimal location choice by interrogating factors that affect transport cost (Friedrich, 1929). Alfred Weber developed his model based on minimisation of transport cost of produced goods and raw materials (Kilkenny, 1998).

August Losch developed a location model in 1930, which was contradictory to Weber's location model. In his theory the optimal location choice has the maximisation of

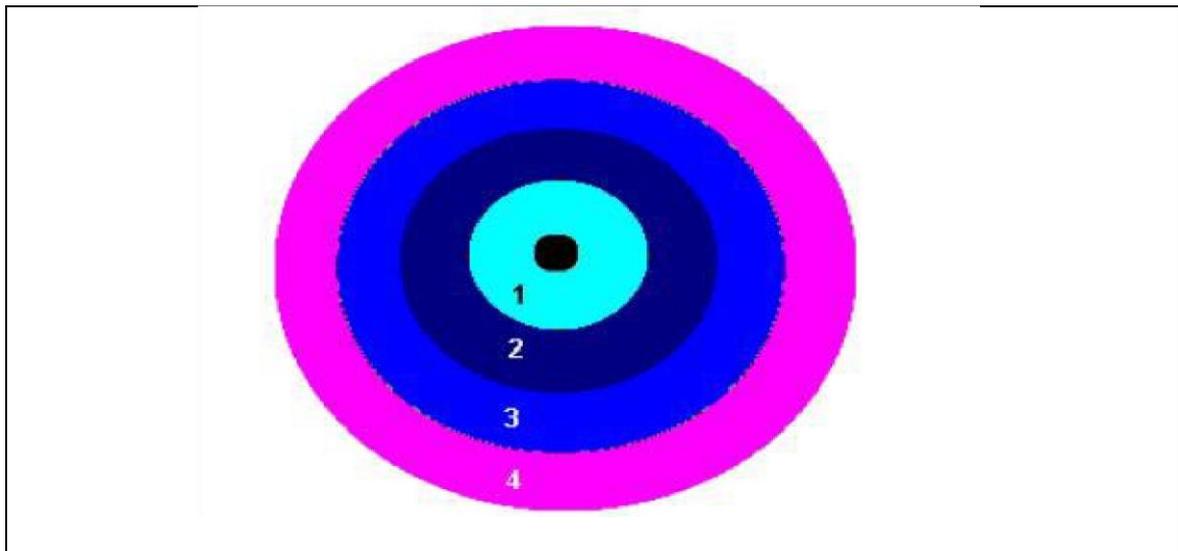
revenue instead of minimisation of costs (Burdina, 2004). Losch argues that optimal location choice is proximate to the marketplace (Goode & Hastings, 1989). For Losch, raw materials were spatially distributed homogeneously and that any produced goods can be transported on a route that is straight from the firm to the destination (Burdina, 2004). These assumptions contradicted those of Weber as he assumed that the supply of raw materials is positioned at the location where transport roads are limited (Goode & Hastings, 1989).

Melvin Greenhut developed a location model in 1956, which determined optimal location choice based on profit maximisation (Hough & Dooley, 1991). Greenhut alluded that location of a firm depends on various factors such as production and transportation cost, the elasticity of demand, maximisation of income and minimisation of cost (Miller, 1977). Greenhut also alluded that the decision of location will depend on individual considerations if substitute locations maximize revenue (Goode & Hastings, 1989).

#### *2.7.1.1.1 The Johann Heinrich Von Thunen Location Theory*

Heinrich Johann Heinrich Von Thunen was a German economist and a farmer. His model was formulated for agricultural production in Northern Germany during 1800 (Von Thunen, 1826, translated in 1966). Von Thunen analysed the patterns of land use such as distance from the farm to the marketplace, land rent and transport cost. Von Thunen assumes the following: "Imagine a very large town at the centre of a fertile plain which is crossed by no navigable river or canal. Throughout the plain, the soil is capable for cultivation and the same fertility. Far from the town, the plain turns into the uncultivated wilderness which cuts off all communication between this state and the outside world. There are no other towns on the plain. The central town must, therefore, supply the rural areas with all manufactured products and in return, it will obtain all its provisions from the surrounding countryside" (Von Thunen, 1826, translated in 1966). The costs of production and interest per capital are assumed to remain similar everywhere (Djwa, 1958). Von Thunen's model is illustrated in the diagram below:

Figure 1: Von Thünen concentric rings



(Source: von Thünen, 1826).

The figure above demonstrates the model of von Thunen in which there are four rings of agriculture farms that share the same markets. The main ring (whole ring) represents a big town isolated from the world with a perfect fertile landscape and climate change. Von Thunen also assumed that, the mobility of transport was possible in all parts of the state and labour rate was the same throughout the state. Von Thunen assumed that the isolated state is surrounded by uncultivated wilderness and has no outside influence. The rings inside are used as dividers within the central ring which represent different types of agriculture production in the isolated state.

The first black dot in the middle of the ring represents a market place. Ring 1 (light green) represents farms that produce perishable goods such as fruits, vegetables and dairy products. Farms located in the first ring (1) next to the city in order to be near the markets as they produced perishable goods that needed to reach the markets at the earliest time. This is because there were no refrigerators in 1800 (Von Thunen, 1826). Ring 2 (dark blue) represent farms that produce forestry. Forestry farms located in the second ring as timber is heavy to transport and had the highest demand since woods were needed for building houses and for fire.

Moreover, forestry farms needed to locate next to the marketplace since woods were heavy to transport (Von Thunen, 1826). Ring 3 (Light blue) represents farms that produce field crops such as grains. Farms locate in this ring as goods produced such as grain does not perish quickly than dairy products and are easy to transport (Von Thunen, 1826). Ring 4 (purple) represents animal production and ranching farms.

Animal production farms locate in the last ring of the isolated city since the animal can walk to the market place and thus, save transport costs (Von Thunen, 1826).

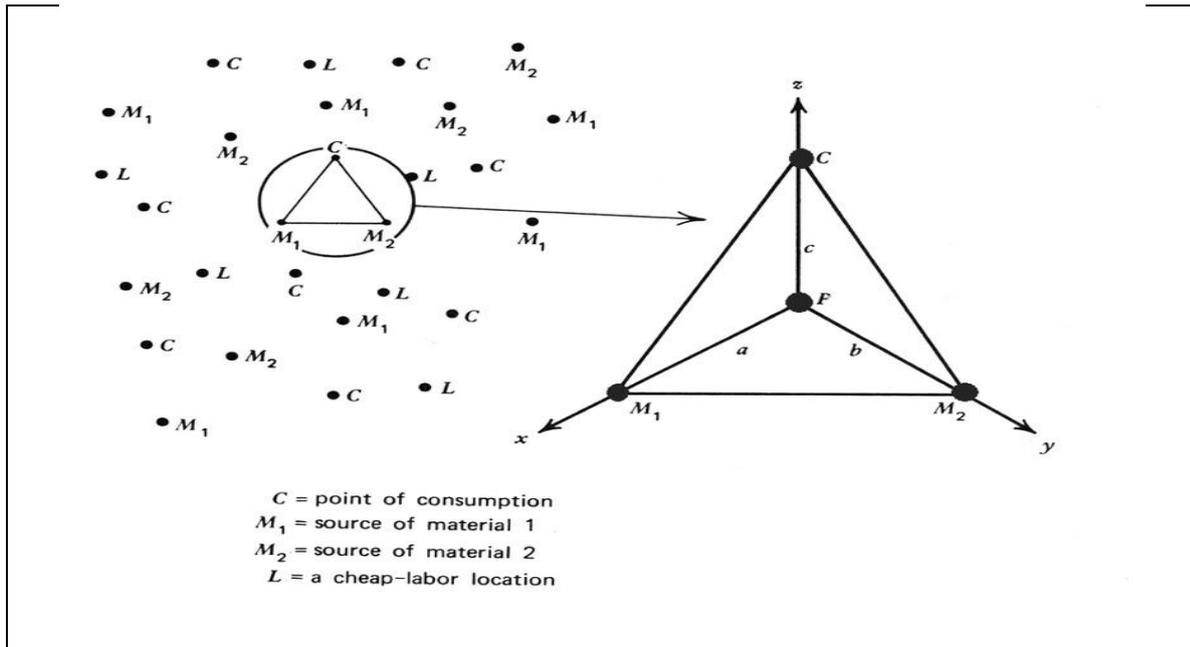
Transport cost and land rent are assumed to decrease as the distance of the farms in the rings get further from the city, vice-versa (Leigh, 1946). Transport cost determines the location and type of plantation of a farm. Farms are proximate to the city based on the transport cost and the nature of plantation of the farms. The farms planting bulky crops with difficulties in transportation and have a higher transport cost would locate in the rings that are closer to the market place (Von Thunen, 1826). The farm that plants light crops with lower transportation costs would be located in the rings further from the market place into the wilderness.

According to Von Thunen, there is a specific agricultural location pattern developing in the surroundings of the city since the land rent and transport cost determines the kind of agricultural farm (Greenhunt, 1956). Von Thunen assumed that capital and labour are not mobile and market place located in central town purchased all agricultural produced goods (Jones & Woods, 2002). The predominant shortcoming is that this theory is outdated, and modern companies have numerous interdependent elements that determine location choice (Leigh & Blakely, 2013). It is almost impossible to observe the same plane surrounding one market place in the modern economy (Gomez & Helmsing, 2008).

#### *2.7.1.1.2 Alfred Weber Location Theory*

Alfred Weber was a German economist who formulated his location model in 1929 approximately one hundred years later after the inception of Von Thunen's work. In his well-known theory of industrial location, Weber predicted optimal location choice by interrogating transportation cost, agglomeration and labour cost in industries (Weber, 1929). Weber assumed that there are equal transportation costs of all products; equal costs of raw materials at all deposits; many consuming centres and raw materials suppliers and unequal distribution of raw materials (Weber, 1929). Weber used the locational triangle to explain the least transportation cost.

Figure 2: Weber least transportation cost triangle



(Source: Kleynhans & Drewes, 2008).

The figure above demonstrates an industry where the market place is represented by C (point of consumption), while the supply of raw material is indicated by M1 & M2 (source of material 1 and source of material 2). Cheap labour is represented by L in the industry. In this model, industries located at the point where transportation rates are the lowest (Weber, 1929, translated by Friedrich, 1929). Weber based his model on two sources of raw material and one market (Weber, 1929, translated by Friedrich, 1929). Transport and labour cost represented internal factors and agglomeration represented external factors that affect location choice (Ashtiani, Ahmadvand, Eghbali, 2018). Weber assumes that the consumption centre and the two sources of raw material form a triangle in which a firm can locate at either on point a, b, c based on the raw material it uses to produce its goods.

Weber predicts that firms compare transport and labour cost when selecting optimal location choice, he also predicts the concentration of the industry (Weber, 1929, translated by Friedrich, 1929). Weber assumes that optimal location choice is at a point where transport costs are lower, alternatively, the optimal location choice is where labour cost is cheaper when compared to transport cost. Weber predicts the agglomeration and deagglomeration of the industry by the size of the market. The firm can agglomerate if the market increases and deagglomerate when the market declines. He assumes that the industry gets concentrated when the market expands and deconsecrate when the market declines. Weber assumes that agglomeration and

deagglomeration reduce the cost of production as a firm have production at one place (Weber,1929, translated by Friedrich, 1929).

Weber developed a material index that determines the distance and transport cost in which firms choose to locate. Weber assumed three scenarios of losing, gaining and constant weight (Weber,1929 translated by Friedrich, 1929). The losing weight firms use raw material that is heavyweight to produce lightweight goods and the gaining weight firms use raw material that are lightweight to produce goods that are heavy weight (Weber,1929 translated by Friedrich, 1929). The losing weight firms use fixed raw materials to produce their goods and gaining weight gaining use raw materials that are ubiquitous. The constant weight firms use raw material that does not change weight after producing goods. (Weber,1929 translated by Friedrich, 1929). The weight of the raw material remains constant after production processes.

Firms that falls under weight-loss locate next to raw materials supply and weight gain locate next to the market place while constant weight firms locate in the intermediary spot. Goods that are lightweight after the production has less transport cost compared to goods that are heavyweight after production and visa-varse. Transport cost represented the distance to be travelled, the weight of raw materials and final goods to be transported (Spinola, Spinola, Pereira, 2015). Weber assumed that the weight of raw material determines the transport cost hence, location that bears low transport cost is the optimal location choice.

### **2.7.2 APPLICATION OF THE LOCATION THEORY IN SOUTH AFRICAN CONTEXT**

High unemployment and poverty rates can be reduced in South Africa through agriculture production and industries in the municipality (Department of Agriculture, Forestry and Fisheries, 2010). LED unit can integrate its initiatives with the establishment of industries and farms in the municipality by applying Location Theory. Location Theory provides an industrial transport model in Weber's industrial theory and agricultural transport as well as rent structure in Von Thunen's model. The combination of both von Thunen and Weber models predict optimal location choice (Mccann & Sheppard, 2003).

There are numerous models of location theories by different authors however, for the purpose of the study only Von Thunen, and Weber's theory is applied in the study

since agriculture and manufacturing are labour's intensive. The two economic sectors increase productivity in the economy. The increase in the productivity of the economy results in to increase Gross Domestic Product (GDP), per capita, foreign direct investment, import-substitution, exports and job opportunities (Pleic, 2009). An increase in GDP and GDP per capita also leads to a significantly developed economy. The application of Location Theory can be guided by spatial development policies and frameworks in South Africa. Von Thunen and Weber's theory are applied below:

### **2.7.2.1. The Heinrich Johann Von Thunen's model**

Von Thunen's model is not entirely applicable in the South African economy and has minimal application. Von Thunen's model is neoclassical and therefore is not entirely applicable due to economic transformation (Demir & Kockal, 2019). His model was fully applicable in the 1800 but not entirely applicable in 2000 (Hallett, 2014). His model was created based on the unrealistic assumption of the isolated state that is not applicable in the South African context.

Von Thunen's assumptions in the South African context are the following: 1) nowhere in South Africa do we find perfect landscape, climate change and soil fertility across the country. South Africa has a diverse landscapes, climate change and soil fertility. 2) There is no large town that does not connect with the rest of the country or the world. Every town has some external influence. South Africa has 9 provinces with each town influenced by national and the international community. 3) Transport and labour are not uniform in South Africa. Moreover, his model was developed for the German economic system during 1800. Von Thunen has pointed out that although the theory has unrealistic assumptions, the theory is still applicable (Von Thunen, 1826). Von Thunen pointed out that the agricultural activities would not follow each other as stipulated in the concentric rings of the isolated state, the farm would locate based on climate change (Hall, 1966). This is contrary to scholars and suggestions that the Von Thunen's model is not applicable today.

The assumptions in Von Thunen's theory is no longer entirely applicable because of its changes in factual conditions, however, the four concentric rings are useful (Predohl, 1928). Von Thunen's concentric rings also cannot be entirely applied in the South African context because South Africa has diverse climate change, land fertility and landscape. Therefore, agriculture farms cannot be located anywhere in the

country which is different from von Thune's model where it assumed that the landscape, climate change and fertility are uniform. Sustainable agriculture farms requires a specific location in South Africa. The von Thunen's 4 rings can be used to create job opportunities in South Africa. The 4 rings will not be concentric as stipulated in von Thunen's model. The agricultural activities in von Thunen's four rings are similar to the South African agricultural sector. The agricultural sector in South Africa ranges from extensive and intensive farming to animal ranching and production (Worldwide Fund-SA (WWF-SA), nd: 2).

Farms in South Africa are located based on land fertility and climate change. Sustainable farming requires favourable climate change, such as, frequent rainfall within an area. The von Thunen's four rings can be applied differently in South Africa given the diverse climate conditions and landscape. Intensive, extensive and forestry farming can be located next to the river since there is a water deficit in the country. Livestock farming can be located in a location with good temperature and rainfall for livestock. Intensive, extensive and forestry patterns can only be developed next to dams, rivers and wetlands in South Africa. Therefore, there will be 4 spatial distributions of agricultural economic activities with many consumption centres in each municipality.

Rainfall is scarce in South Africa, which leads to drought and river drying out. This poses a threat to agriculture in South Africa. LED unit can initiate the establishment of extensive, intensive and forestry farms around rivers, dams and wetlands in Polokwane Local Municipality for sustainable farming. Rivers and dams in Polokwane Local Municipality include Mphogodiba river, chuene river, sand river, blood river, chuene dam and seshego dam, (the City of Polokwane, 2010). There are also a number of wetlands in the municipality (the City of Polokwane, 2010) which can be used for farming.

It can alternatively use the available fertile land and provide water bores for a sustainable farming. This can be applied to the establishment of all types of agriculture production. This demonstrates the unfeasible structure of the von Thune model in South Africa. However, the government can initiate and promote agriculture activities in line with South African climate change and modify the von Thunen's model where

necessary. The von Thunen's model can serve as a point of reference for agricultural development in line with the municipal environment.

Small farmers in South Africa sell goods directly to consumers in the marketplace and often sell to retailers. Therefore, small farmers incur transport costs for transporting goods to the markets when they sell directly to consumers. Small farmers also incur transport costs for transporting goods to the markets as a marketing strategy to attract more customers in retail. Traditionally, retailers in the market pay for their own transport cost when they buy from the farm. Big farms with reputable market trends pay transport cost of raw material and do not pay the transport cost for distributing goods to the marketplace. Additional transport cost for both small and big farms includes the short distance from the field to the storage on the farm. Big farms can provide a transport service to its customers in the market place in which customers pay transport costs from the farm to the markets.

The provision of transport services can expand the stream of income on the farm and it ensures the safety of transported goods. The customers in the market place can alternately use their own transport when buying from the farm. Established farms open a market for independent transport services in the locality since the farmers and its customers in the market place can outsource transport services. The outsourcing of transport indirectly creates job opportunities in the locality. It also reduces the cost of maintaining a transport vehicle on the farm.

The LED unit should place small farmers who directly sell to consumers next to the markets in order to assist small farms in cutting transport costs. Therefore, patterns of small farms next to river, dams and wetlands will form from the marketplace further into the wilderness. The LED unit can also places the big farms from the wilderness towards the marketplace, since, they do not incur market transport cost. A Pattern of established farms will also form from the wilderness towards the small farms within the jurisdiction of the municipality. Small farms can use funds saved from the transport cost to create more jobs as they are penetrating the markets.

The value of land rent decreases as the distance from the city to the wilderness decrease in South Africa. Therefore, small farmers can be located at the point where rent is higher and transport cost is low. Big farms can be located at the point where rent is cheaper since they do not incur transport costs. The LED unit should provide

small farmers with subsidies of land rent since they incur transport costs and charge big farmers the market price of land rent since they are located at the point where rent is cheap. Essentially, small farms will pay low rent compared to big farms. The value of land rent can be influenced by climate change, proximity to rivers, dams and wetlands. The land rent can increase the income stream of the LED unit which will enhance the effectiveness of the LED unit and the rate of job creation in the locality. The municipality will gain rent income as it leases municipal land to the farmers and where the land belongs to tribal kings the farmers will pay rent to the king. However, in a case where the municipality operates a farm entity, it will save rent expenses and only pay rent to land that belongs to the tribal authorities.

The 4 spatial distribution of agriculture will enhance the effectiveness of LED in South African municipalities as more jobs will be created. People in local communities will be afforded equal opportunity to participate in the local economy. Moreover, agricultural economic activities will immensely contribute to local economic growth. The agriculture sector in South Africa is concentrated by field crops and the percentage of agriculture on GDP has decreased (International Monetary Fund, 2020:4). Agricultural economic activities in Polokwane Local Municipality are low. The agriculture sector needs to expand to accommodate the increasing population in South Africa (WWF-SA, nd:3). The population growth rate is 2% per annual and the population is expected to be growing by 82 million in 2035 (WWF-SA, nd:3).

Farmers are confronted by land constraints in South Africa. Therefore, local municipalities can use the available land to stimulate agricultural activities by using municipal land to initiate agriculture activities. The agriculture land stimulation can be through leasing of land at an affordable rate and appropriate land per year intervals. Rent will be paid to private owners where land is owned by tribal kings and other private stakeholders. The municipality must provide agricultural infrastructure and machinery where necessary. The municipality can also provide agriculture education in order to achieve a sustainable agriculture production and job creation.

Literature review reveals that several scholars have recently applied Von Thunen's model around the world. Although the assumptions of Von Thunen's model are unrealistic, numerous scholars applied the model of Von Thunen in different parts of the world in different years. Those who applied the theory are positive that the theory depicts economic development through land use. Folefack and Adamowski (2012)

applied Von Thunen's model to determine the optimal location to transport compost for crop production in Cameroon. They argue that, Von Thunen's model is still useful. Moreover, they argue that the transportation cost explains land use and the location of markets reflects the application and value of Von Thunen's model.

Mkwara and Marsh (2009) applied Von Thunen's model to clarify the reason why poor people live next to or in the forest in Malawi. They argue that the model helped to establish how poverty drives deforestation. Rent assumption in Von Thunen's theory is applicable in the global economies (Hallett, 2014). Zaucha and Gee (2019) applied the model of Von Thunen and found that the assumptions in Von Thunen's model depict the reality of rent in maritime space. Von Thunen attests that indeed his model is applicable by stating that "this method of analysis has illuminated and solved many problems in my life, and appears to me to be capable of such widespread application, that I regard it as the most important matter contained in all my work" (Von Thunen, 1966: 4). Sharma (2000) applied Von Thunen's model to determine the impact of distance on farming. Based on the empirical findings, Von Thunen's theory is applicable in today's space. It may have out-dated assumptions but is still applicable.

### **2.7.2.1. Alfred Weber's model**

The model of Weber is applicable in the South African economy with the exception of the firm's transport cost to the markets and intermediate firms. Intermediate firms produce goods with raw materials that remain the same weight after production. Such firms include the woods and clothing companies. Weber's theory is not only applicable in the South African economy but the global economy as a whole. The manufacturing companies in South Africa have many market centres as stipulated in Weber's model. The setting and context of Weber's theory fit the South African industries.

Only two predictions do not fit the context of South Africa. The manufacturing industries in South Africa only bear the transport costs of raw material needed for production and retailers are responsible for their own transport cost. Retailers enjoy lower transport cost when buying their stock from firms that locate in the markets. This means that, transport cost is only applicable to transportation of firm's raw material supply when applying Weber's model in South African industries. This is the reason why the intermediate firms and firms paying transport to supply retailers in the market are exempted from the predictions of Weber's theory in South Africa. Intermediate firms in

South Africa bear transport cost for their raw material supplier and retailers bear their transportation cost. Therefore, intermediate firms fall under losing or gaining weight category in order to save transport costs. This however affects the retailers when they fall under losing weight category since retailers who buy stock from them will pay higher transport costs.

In South Africa, industries can be established next to markets when the firms use raw materials that are ubiquitous, and industries can be established next to the supply of raw material when firms use fixed raw materials. Some firms fit Weber's prediction on the decision of optimal location choice in South Africa. State-owned and private enterprises fit the predictions of weber's model. Firms that located next to its suppliers are primarily firms that need a location with fixed raw material supply. An example of such firms include Eskom that have the power station next to the coal mine. Eskom is a weight losing firm and therefore locates next to its raw material suppliers. Firms that are located next to the market are weight gaining. Example of such firms include Coca-cola and other beverage companies. The weight gaining raw material firms use ubiquitous raw materials. The industries that fit Weber's optimal location choice in South Africa include electricity, mining, automobiles, meat, beverages, cement, firms, clothing and wood industries.

Firms in South Africa locate where labour is cheap. However, such firms are condemned as they exploit workers. South African government has advocated for the improvement of remuneration for poor workers, particularly after apartheid (Report of the Presidential Commission, 1966). Low wages are discouraging and are deemed to be exploiting workers. Commission for Conciliation Mediation Arbitration (CCMA) fined a Kwazulu Natal textile firm named Tai Yeun R17 million for the exploitation of workers and an additional R5 million for the interest accumulated from underpayment of workers in Mooir River (Mthethwa, 2008). Firms locating in cheap labour areas can significantly reduce unemployment, however, firms will generate more profit and the workers will get paid less. Workers who are paid less live from hand to mouth and the condition of their living standard remain unchanged after employment. The study rejects the second option of optimal location when applying Weber's theory in South Africa given the reception of cheap labour in labour market.

There is a concentration of firms in the South African industry. Firms agglomerate to cut production costs and increase the profit margin. The concentration of firms in an industry is influenced by external factors in a firm. The concentration of firms promotes the competition in industries. However, Fedderke and Szalontai (2009); Fedderke (2012); Fedderke and Naumann (2015) conducted a study on the concentration of industries and found that agglomeration of firms in an industry lowers employment. Fedderke and Naumann (2015) conducted another study on the industry concentration and found that the rate of industry concentration in South Africa has decreased from the year 1972 to 2001.

LED unit could use Weber's theory to establish an industrial park in the municipality. The farms formed by applying von Thune's Location Theory can be used to supply food manufacturing firms with raw materials in the locality. The firms in the industrial park of the municipality can locate based on Weber's Location Theory. Firms that are weight loss can locate next to raw material supplies, while weight gaining can locate next to the market. This could relieve the firms from a higher transport costs. Firms that produce goods with a weight that remains the same after production can locate at any point where transport cost is less. The industry could agglomerate or deagglomerate when the market fluctuates. The firms have no direct control of the concentration in the industry. The local government can impose regulations that condemn the concentration of industry since agglomeration reduces employment.

In the application of Weber's theory, the aspect of transport cost could be considered to affects both the firms and retailers. Retailers can enjoy a lower transport cost when buying from weight gaining firms as the firms are located next to the markets. They will however pay higher transport costs when buying from weight losing firms since firms locate far from the retailers. This is because retailers pay transport costs when buying from firms. The firms only incur transport costs of raw materials. More income will be generated if firms located at the point which has a lower transport costs. This leads to firms enjoying surplus profit which could be directed to creating job opportunities.

The discussion above is based on South African economic activities and not concluded based on empirical application. Despite this, there is no literature on the application of Weber's theory in South Africa. Empirically, numerous scholars applied Weber's Location Theory around the world. Demir and Kockal (2019) have applied Weber's

model to determine the cement plant location. They interrogated the weight and transportation cost to predict the optimal location for the cement firm. In 1959 Weber's location model was applied to milk processing plants and found that the milk processing farm will locate next to the source of raw material which is milk (Olson, 1959). Olson's application of Weber's theory was successful as all the assumptions in Weber's theory applied to Olson's application.

Middleton (1964) applied the Location Theory in two states of the United States of America and found that the theory has a great impact on job creation in industries. The scholar observed the frequency job creation in industries. Middleton (1964) applied Location Theory in four-year intervals between the years 1950 - 1954; 1954 - 1958; 1958 - 1962 in North Carolina and Virginia. North Carolina had declined in job creation during the years 1950 – 1954 by -2.19%, increased drastically by 10.7% between the years 1954- 1958 and increased by 6.10% between the years 1958 – 1962. Virginia job creation rate remained constant during the years 1950 – 1954, it increased by 7.28% between the years 1954 -1958 and 6.79% between the years 1958 – 1962. The study of Middleton (1964) is evidence that the Weber Location Theory increases the rate of job creation in a locality.

### **2.7.3. LIMITATION OF THE THEORY**

The Location Theory has some shortcomings in nature and its application in the South African context. Both the von Thunen and Weber's model bear shortcomings that limit the scope and context of the Location Theory. The limitations of Weber and Location Theory are outlined below.

#### **2.7.3.1 Von Thunen Location Theory**

The von Thunen's theory is not applicable in the South African context. South Africa has a landscape and economic activities that are highly diverse. Von Thunen assumed the perfect landscape, climate and soil type whereas South Africa has a diverse soil type and climate change. The model and assumptions in the theory are not realistic in the modern economy. The application of von Thunen's assumptions in his model deviates in many ways from the reality of agriculture. The ideas were informed by the European economic system and technology during the 19<sup>th</sup> century. The important

environmental factors to consider in agriculture are the type of landscape, soil, rainfall and temperature (Gertenbach, 2007).

There are refrigerators and other preservatives for perishing of dairy products, livestock is not moved by foot anymore due to urbanisation, woods no longer play a vital role in the society as electricity and bricks substituted the demand of woods. Therefore, farms can be located at any point in the locality. Moreover, transport cost of distributing goods in the market is incurred by the customer, except when farmers sell directly to households in South African. Traditionally, agricultural farms supply retailers and manufacturing firms and retailers sell goods bought in consumption centres. The manufacturing firms process the goods and sell to retailers as well. Therefore, transportation cost is normally incurred by retailers. This is contrary to von Thunen's assumption that farmers incur transport when distributing goods to the markets.

Rent differs from farm to farm depending on the size of land and other factors such as machinery, climate change, road and market surrounding the farm in South African agriculture. Some of the land in the municipality belongs to traditional authorities and not the municipality. The utilisation of such land would require lengthy negotiations with the tribal kings in the municipality which often results in a dead end. Von Thunen's model focused solely on agricultural activities and ignored other land-use factors. The profit margin of each type of farming is based on the expenditure and income index is ignored in the von Thunen's model. The profit margin is crucial as it gives a clue of the sustainable rate of agricultural activities. This hinders the projection of the creation of job opportunities and the market size.

The von Thunen's Location Theory is immensely limited in the South African context, however, the concentric rings in his model are useful when applied in the economy. The model can boost local economic growth when applied to a struggling economy such as Polokwane Local Municipality despite its unrealistic assumption and setting. It can boost its GDP and create vast job opportunities as anticipated in the application of LED in local economies. The agricultural activities can serve as the supply base on emerging and established manufacturing companies in the locality.

### **2.7.3.2. Weber Location Theory**

There are concerns about Weber's predictions given the nature of the decision making processes in the industries. Weber did not explain the exclusion of management and capital cost in his model (Gomez & Helmsing, 2008). The train of thoughts in the theory stress the low-cost location choice, whereas in practice, a location is chosen based on demand and cost (Burdina, 2004). It is assumed that demand is an independent variable and location choice of the entrepreneur does not affect the demand whereas in reality the demand is a dependent variable and affects the business location (Nachum & Wymbs, 2002). The demand determines the performance and sustainability of a firm. The performance of SMMEs depends on a location choice which has six independent variables, namely, proximity to customers, suppliers and competitors, labour; electricity, safety and health (Lumbwe, Anyadiegwu & Mbohwa, 2018).

The theory ignores the interdependence element between business and consumers in the location (Ritter, 1990). The Location of a business is not rational at all times, does not have complete information and when considering substitute location, big firms can get sites at cheaper rates with local government (Salvesen & Renski, 2002). Factors that determine low transport cost does not adhere to straightforward methods (Stevens & Brackett, 1967). Modern technology and communication can change the significance of a particular location.

Models of the theory do not usually provide the actual procedure of the decisionmaking process, how the firm selects its optimal location and the estimation process (Capello, 2011). Firms search for an area with features and characteristics that best suits the firm's needs and this is the primary approach of choosing an optimal location (Murray & Dowell, 1999). The location selection procedure is intended to limit the choice of alternative locations; hence there are numerous factors considered in the selection of location procedure (Nachum & Wymbs, 2002).

Only a few factors are vital when choosing a location, therefore it is impractical to identify and evaluate all potential locations suitable for a firm's needs (Ritter, 1990). The choice of location for one firm differs from the other firm and Weber's hypothesis is generally less understood that location factors differ in firm-level but much understood that location factors differ from industry level (Burdina, 2004). The Location Theory tends to be regarded as obscure, given its aptitude to cast light on

experimental distribution, and, patterns of behaviour can hardly be exposed to interrogation (Parr, & Reynolds-Feighan, 2000).

Weber Theory ignores other operating expenses and assumes that profit can be maximised through the minimisation of transport costs. Minimum transport costs of a firm do not always guarantee maximised profit. Moreover, there are two predictions do not fit the South African context in Weber's theory. South African government condemns cheap labour as an optimal location choice for firms. Cheap labour as an optimal location choice in Weber's theory is not applicable in the South African context. South African firms do not incur transport cost to distribute goods in the market and only incurs transport cost of raw materials.

#### **2.7.4. CONCLUSION**

This chapter provided the literature review of the study's objectives, namely, nature and role of LED, the effectiveness of LED initiatives, challenges encountered by LED unit and opportunities of LED unit. It also provided the economic trends in the economic sectors of Polokwane Local Municipality in order to determine the feasibility of economic activities in the municipality. Academic articles, published and unpublished books amongst others were reviewed. This chapter enables the reader to gain an understanding of existing research and debates about the research objectives and questions. This chapter also discussed the Location Theory. The study based on the Location Theory of Von Thunen and Weber. Von Thunen theory provides the model of land use in agriculture and Weber theory provides the model of land use in manufacturing industries. Both models predict the optimal location choice of entrepreneurs. The optimal location choice in von Thunen's theory is measured by the nature of goods produced is on the farm, transport and rent cost.

Farms that produce goods that get spoilt easily and bear higher transport cost locate next to the market place. Land rent is higher for the area to the market and gets cheaper as the distance goes towards the wilderness. This arrangement creates four concentric rings in an isolated state. The study assumes that small farmers can generate more profit if they pay subsidised pay low transport and rent cost by locating next to the markets. The study also assumes that the von Thunen's model can boost big farms by locating them where land rent is cheaper. The surplus income of farms can be directed to the generation of job opportunities in the locality.

Weber's theory predicts that the optimal location choice is the point where there is low transport cost and alternatively at the point where labour cost less when compared to transport cost. Weber assumes that the market size determines the concentration in an industry. Low transport cost is assumed to increase the firm's profit margin and the probability of creating vast job opportunities in the locality. Therefore, the surplus profit of firms generated from paying low transport costs will be invested in job creation. The study condemns the optimal location where at a point where labour is cheap as it undermines and exploits the poor and also condemns agglomerate of firms as it leads to an increase in unemployment.

The chapter provides the prediction of creating vast job opportunities in the Polokwane Local Municipality. The study assumes that if the local government organises its landscape it will structure its economy. The local government can use the models of Location Theory to mitigate unemployment and poverty rates by arranging the landscape in the municipality. The study assumed that the more profit the SMMEs generate, the more job opportunities will be created and boost the tax revenue of the municipality. The local government can use the model to create a sustainable agriculture and manufacturing sector which yields sustainable job opportunities.

### **CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY**

### **3.1. INTRODUCTION**

Research design and methodology are outlined in this section. Research design shapes the methods and sampling procedures used in a research (Mouton & Babbie, 2001). Data collection methods include literature review, interviews and questionnaires. Research design and methodology is the investigating framework and strategy that seek to answer research questions of a study (Khothari,2004). Research design and methods are explained below:

### **3.2. RESEARCH DESIGN**

The researcher used both quantitative and qualitative research designs. Qualitative research assisted the researcher to get detailed data on the research questions of the study and comprehend the effectiveness of LED initiatives, challenges and opportunities encountered in implementing the policy. It also helped to attain an understanding of the LED unit's role in the municipality. The quantitative research enabled the researcher to obtain generalised views of officials and beneficiaries of LED programmes on the effectiveness of LED unit in the selected municipal department.

### **3.3. TARGET POPULATION**

The targeted population was the Municipal Manager, Chief Financial Officer, Director in Planning and Economic Development, Manager in LED unit, LED unit officials and beneficiaries of LED programmes which include street vendors and SMMEs in Polokwane Local Municipality. Questionnaires were distributed to LED unit officials and beneficiaries of the LED unit in Polokwane Local Municipality. Senior staff members were interviewed.

### **3.4. SAMPLING TECHNIQUE**

The study employed both purposive and random sampling techniques. Purposive sampling was done by purposefully selecting senior officials such as Municipal Manager, Director in Economic Planning and Development as well as Manager in LED unit. The random sampling was done through the distribution of questionnaires to the Local Economic Development unit and beneficiaries of LED unit in Polokwane Local Municipality. The random sampling technique allows the populace equal opportunity to participate in the study and enables the researcher to acquire generic views of the targeted population.

### **3.5. DATA COLLECTION METHODS**

The study used primary and secondary data. Methods used to collect data are explained below:

#### **3.5.1. Interviews**

The study aimed at interviewing the Municipal Manager; Chief Financial Officer; Directors in Planning and Economic Development and Manager in LED unit in order to answer the research questions of the study. However, only the Director and Assistant Manager of Planning and Economic Development were available and interviewed. The Manager in LED unit delegated the Assistant Manager of Planning and Economic Development to take her place in the study's interviews due to swamped work schedule. Unfortunately, Municipal Manager and CFO were also unavailable due to swapped work schedule. This method of collecting data enabled the interviewees to express their views on the effectiveness of LED unit in improving local economies, particularly, the study research question.

#### **3.5.2. Questionnaires**

Self-administered questionnaires have been distributed to 9 officials in the Local Economic Development Unit at the Polokwane Local Municipality and 370 beneficiaries of LED unit. The total number of distributed questionnaires depended on the staff capacity in LED unit. The study targeted 20 participants in the LED unit, however, only 9 questionnaires were distributed due to lower capacity in the unit and some officials were unavailable.

#### **3.5.3. Documentations**

Secondary information was obtained from various government policy papers, academic research papers, academic journal articles and books. Therefore, these sources assisted the researcher to use previous information.

### **3.6. DATA ANALYSIS**

The study employed thematic analysis in which themes were developed according to the study research questions in order to analyse interviews. The thematic analysis enables the researcher to identify common and uncommon concerning the behaviour of participants (Bruan & Clarke, 2006). The researcher employed Microsoft Excel 2010 Software to analyse questionnaires. The software provides automated, flexible visuals

and analysis of primary data (Fuller, 2011). The software simplifies the analysis of practical information (Mouton, 2005).

### **3.7. VALIDITY AND RELIABILITY**

Questionnaires and interviews were tested through pilot testing before adopting the final version of the said questionnaires and interviews. The questionnaires were distributed to colleagues and interviews were conducted with colleagues in order to evaluate whether the questionnaires and interviews produce valid results. Therefore, the researcher was able to review the validity and reliability of the acquired data.

#### **3.7.1. Qualitative research trustworthiness**

The trustworthiness of the study is benchmarked by the degree in which objectivity, credibility, transferability and dependability the researcher observes (Guba & Lincoln, 1994). Below are briefly discussed and explained measures of trustworthiness that are applied to the study.

##### *3.7.1.1. Credibility*

The researcher adopted a qualitative research method that is well established. The study employed interviews as it has been used before in scientific research. Credibility was ensured by prolonging interview sessions with the participants. The researcher also invested enough time into the study in order to be familiar with the context and setting of the study. The researcher encouraged the participants to be frank, honest, and the researcher disclosed the independent status of the researcher in order to enhance the credibility of the study.

##### *3.7.1.4. Transferability*

The researcher provided an in-depth description of the research process, participants' experience and the context in which such experience occurs in order to afford the reader the chance to assess whether the study's findings apply to their setting, particularly, Local Municipalities in South Africa.

##### *3.7.1.3. Dependability*

The researcher employed research design, methods and data analysis technique that is consistent and yield the same results if the study could be repeated with the same respondents and research questions. The researcher will safely keep all the raw data, records of interviews for the audit trail. The researcher will also employ the stepwise replica in which two researchers will analyse the raw research data separately and evaluate the results. If the separate analyses yield any inconsistency, the researcher will address such inconsistency in order to enhance the dependability of the study.

#### *3.7.1.4. Conformability*

The researcher analysed the collected data in a manner that the reader can confirm the findings of the study. The audit trial and triangulation can also enhance the conformability of the study.

### **3.8. ETHICAL CONSIDERATIONS**

The study conformed to ethics as the researcher wrote a cover letter that informed the participants who the researcher is, the purpose of conducting a research project, reasons why participants were selected. The respondents were guaranteed anonymity, confidentiality and privacy; they were informed of their participation as being voluntary; there was no kind of harm posed to the respondents through the research project. Informed consent was adhered to by providing consent forms to participants. A letter was written to request permission from Polokwane Local Municipality to collect data and permission was therefore granted by the municipality to collect data. The researcher applied for ethical clearance at the University of Limpopo and was granted. In doing this, the researcher observed research ethics.

### **3.9. LIMITATION OF THE STUDY**

The study only focuses on only 1 out of 278 municipalities in South Africa. It focused solely on the LED unit in Polokwane Local Municipality. Therefore the application of the study's findings can be limited to the Polokwane Local Municipality given the diversity and complexities of each municipality in South Africa. There was no specific ratio in the beneficiaries of the LED when collecting data. Therefore other beneficiaries of LED such as street vendors could have participated more than the other categories of beneficiaries limiting the accuracy of the findings.

### **3.10. CONCLUSION**

The chapter provided the research design and methodologies employed in the study. The chapter was used as the study framework as it guided the construction and nature of the study. It provided guidelines for achieving the objectives and answering the research questions. The next chapter entails the analyses and interpretation of the collected data. It also provides the findings and recommendations of the study.

## **CHAPTER FOUR: RESEARCH FINDINGS, DATA ANALYSIS AND INTERPRETATION OF RESULTS**

### **4.1. INTRODUCTION**

This chapter presents research findings, data analysis and interpretation of results that have been collected. The purpose of the study was to investigate the effectiveness of LED unit in improving South African local economies. The study was conducted in Limpopo Province and used Polokwane Local Municipality as its case study. The purpose was achieved through the detailed scrutiny of the nature and role of LED unit in South African municipalities, evaluation of the effectiveness of LED initiatives taken to improve local economies in Polokwane Local Municipality, identifying and investigating challenges encountered by LED unit in Polokwane Local Municipality and lastly identifying opportunities of LED unit in Polokwane Local Municipality.

The study area was selected based on the fact that Polokwane Local Municipality has Local Economic Development Unit and the City of Polokwane is the capital city and economic hub of Limpopo Province. It also has a more significant population density compared to other municipalities in the province. Smaller municipalities in the province were excluded in the study as it does not have fully flesh Local Economic Development Unit and often have only one or two LED officers. Data was collected through questionnaires and interviews. Questionnaires were distributed to LED unit officials and beneficiaries of the LED unit. Interviews were conducted with senior officials in the LED unit. Below are research findings, analysis and interpretation of data collected in the study.

### **4.2. RESEARCH FINDINGS**

The study investigated the effectiveness of the Local Economic Development unit in improving South African local economies, and the study used Polokwane Local Municipality in Limpopo Province as its case study. A qualitative and quantitative research methodologies were employed in the study. The study, therefore, employed both questionnaires and interviews to collect data. 379 questionnaires were distributed in Polokwane Local Municipality in which 9 questionnaires were distributed in the LED unit, and 370 questionnaires were distributed to beneficiaries (SMMEs and street

vendors) of LED in Polokwane Local Municipality. Director of Planning and Economic Development, as well as Assistant Manager of Planning and Economic Development in Polokwane Local Municipality were interviewed by the researcher, making a total of 2 respondents who have been interviewed.

The findings of the study are, therefore, divided into three sections. The first section is the analysis of questionnaires distributed to the Polokwane Local Municipality LED unit and the second section is the analysis of questionnaires distributed amongst the beneficiaries of LED unit in Polokwane Local Municipality. The third section is the analysis of interviews conducted in the Polokwane Local Municipality LED unit. The analysis of questionnaires is presented in graphs and tables, while the analysis of interviews is presented in thematic analysis.

#### **4.3. DATA COLLECTED THROUGH QUESTIONNAIRES**

The purpose of data collection is to gain an in-depth understanding of people's experiences and realities (Halcomb, 2016). There are several data collection methods, and the study employed questionnaires as one of its data collection tools. Questionnaires assisted the researcher in answering the research question of the study and is a well-known data collection instrument that is used to get information on both public knowledge and perception of a phenomenon (Bird, 2009). The significance of the questionnaire is that it can be distributed to larger sample size and is suitable for addressing sensitive topics (Kazi & Khalid, 2012). Questionnaires also promote confidentiality and produce data that is descriptive and straightforward (Munn & Drever, 1990). This enables the respondent to answer the questions correctly as they are anonymous, and it also enables the respondents to provide straightforward answers.

The researcher distributed two sets of questionnaires in the Polokwane Local Municipality. One set of questionnaires was distributed to public officials in LED unit, and the other set was distributed to the beneficiaries of the LED unit, namely, street vendors and SMMEs. The distributed questionnaires were constructed based on the research questions and were aligned with the objectives of the study. The first set of questionnaires entails the following: biographical information, nature and role of LED unit in South African Municipalities; effectiveness of LED initiatives taken to improve local economies in Polokwane Local Municipality; challenges that LED unit encounters

and opportunities of LED unit. The second set of questionnaires entails, biographic information, understanding the nature of LED environment and the effectiveness of the LED unit. The data were analysed in Microsoft Excel 2010 and the interpretation of the questionnaire is presented in statistical form.

#### **4.3.1. Presentation and interpretation of results collected from LED unit**

Fifteen (15) questionnaires were distributed to the LED unit in Polokwane Local Municipality, and only 9 questionnaires were collected from the LED unit, while 6 were not returned. This is because other officials were unavailable and could not complete the questionnaires. The purpose of collecting data through questionnaires in LED unit was to get a generalised view on the role, strategies, challenges and opportunities of the LED unit in its quest for inclusive economic growth and development. The interpretation of questionnaires collected from LED unit is as follows:

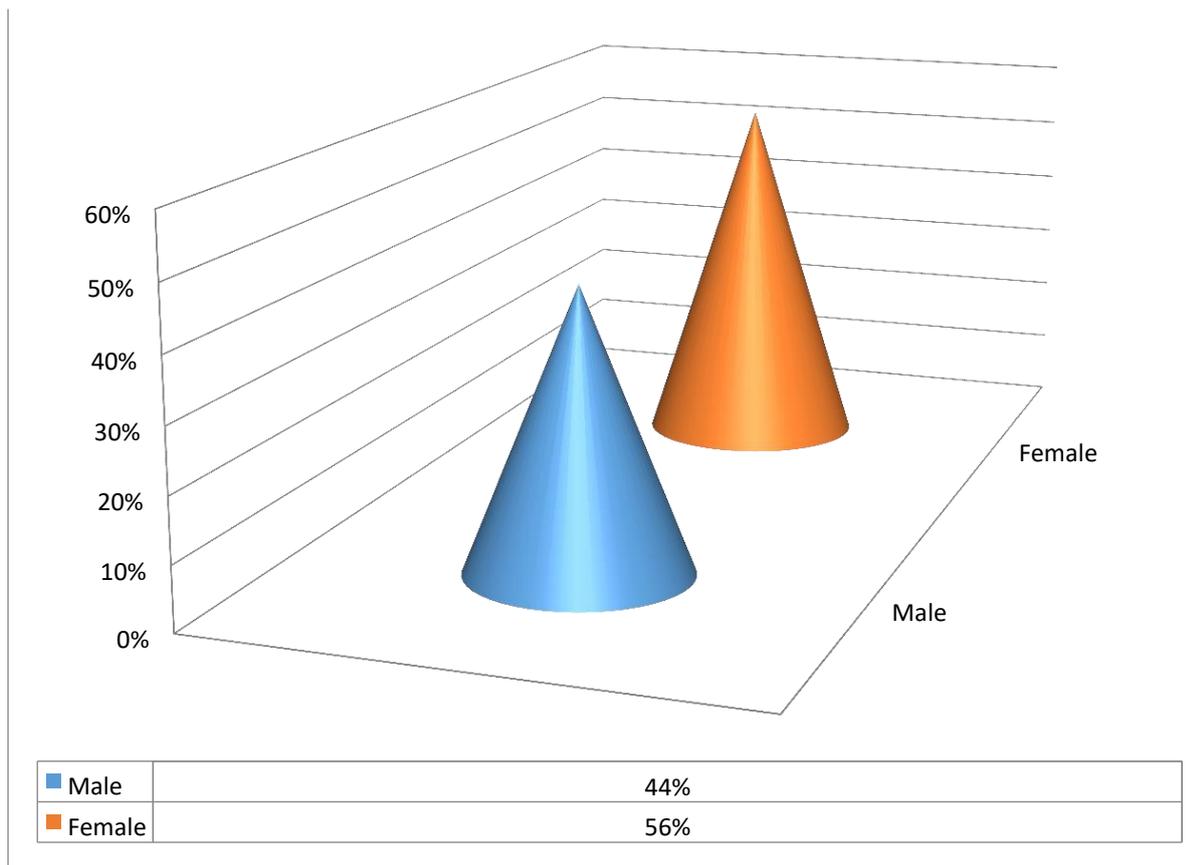
##### *4.3.1.1. Biographical information*

Biographic information reflects the nature of the study's respondents and determines how people make sense of social dynamics, thus shaping the reasoning capacity of said respondents. Biographical information reflects how individual accounts of life experiences can be understood and link to the study (Roberts, 2002). In establishing the biographic information of the LED unit, the study investigated gender; marital status, educational status and age group of the respondents. The finding of demographic information is as follows:

##### *4.3.1.1.1. Gender in LED unit*

The investigation of gender in the study is to ensure that the study does not report only on one gender and that the study considered both of the genders. The study investigated the gender of LED unit officials in order to determine the presence of gender equality in Polokwane Local Municipality. The interpretation of gender in the findings of the study is as follows:

Figure 3: Gender of respondents

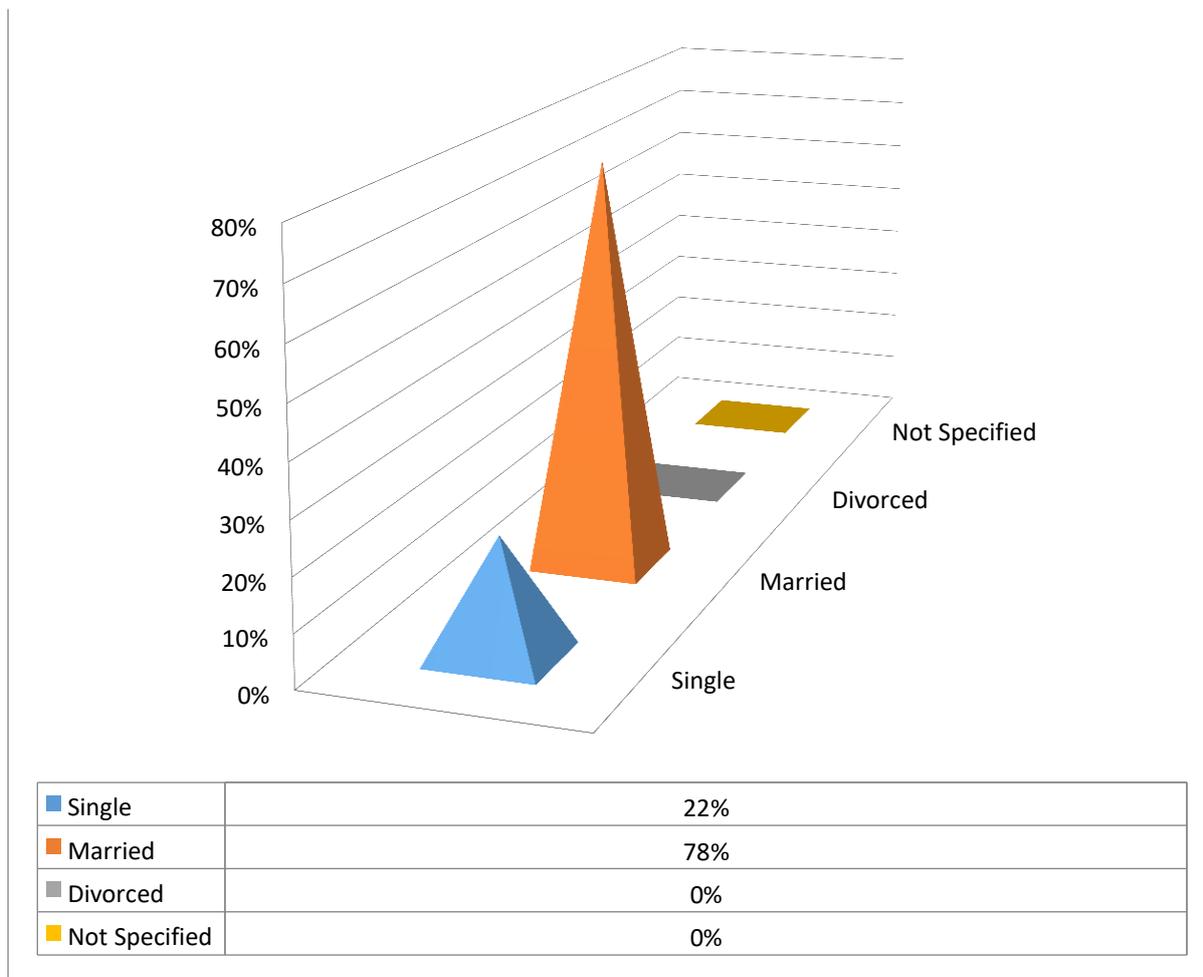


The findings of gender indicate that the majority of the study respondents were more female's participants, with 56% compared to males at 44%. The findings indicate that there are more women participants than men in LED unit. The findings suggest that Polokwane Local Municipality is addressing the gender prejudice against women when hiring. The study further suggests the overrepresentation of women in the unit.

#### 4.3.1.1.2. Marital status in LED unit

The marital status reflects the socio-economic position (Zissimopoulos, Karney & Amy Rauer, 2008). The study investigates marital status even though there is no link between LED officials marital status and research question of the study. The study investigates the marital status of LED officials in order to determine the cognitive development of participants. The marital finding of the study is as follows:

Figure 4: Marital status of respondents

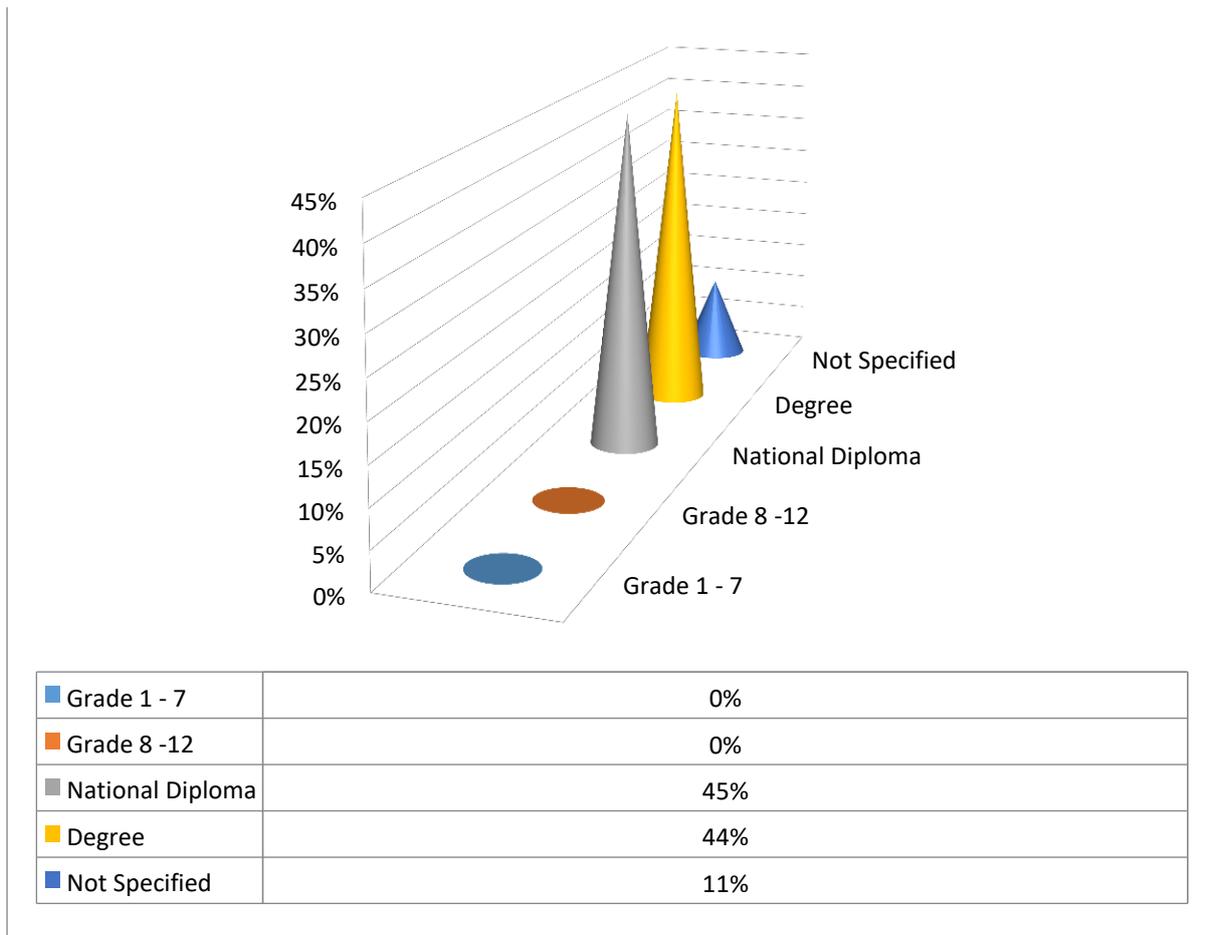


The figure above indicates that the majority of participants in the LED unit are married (78%), followed by single participants (22%) and no one is divorced (0%) or did not specify (0%). The findings indicate that the majority of LED officials are responsible individuals capable to make sound decisions in the employment sector. Being married in both African and European contexts suggests maturity in a social context. Maturity governs a person's thoughts and ability to be responsible (National Healthy Marriage Resource Centre, 2020).

#### 4.3.1.1.3. Educational status in LED unit

Educational status measures the level of education acquired by participants. The educational status sought to determine literacy. The education status of participants influences the responses and understanding of respondents in the study. The more educated the higher the complexities in the reasoning capacity of the study. The findings of educational status as follow:

Figure 5: Educational status of respondents

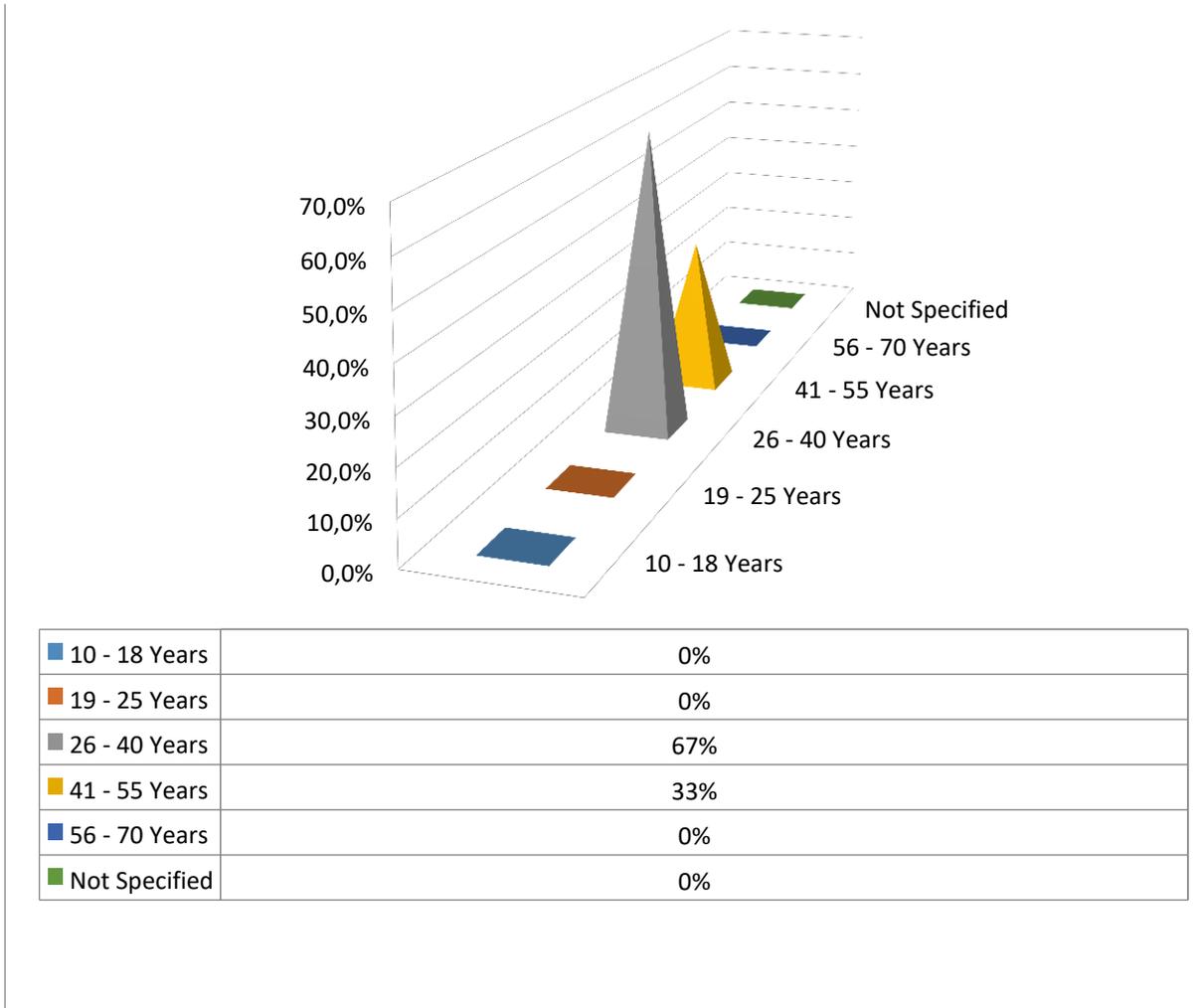


The majority of study participants in the LED unit have a national diploma with 45% followed by a degree at 44%. None of the participants has primary (grade 1 – 7) and high school (grade 8 -12) education both at 0% respectively. 11% of participants did not specify. In total 89% of participants have tertiary education in the LED unit. The findings indicate that LED unit has individuals of adequate skills and competency necessary for the implementation of LED. The study indicates that LED unit employees are qualified and have skills for their post. The findings confirm that the essential requirement of public sector employment is qualifications and competencies.

#### 4.3.1.1.4. Age group in LED unit

The study probed the age group of participants in order to determine different age groups of officials who implement LED. The findings of age group are as follows:

Figure 6: Age Group of respondent



The majority of the study participants belong to the age group of 26 – 40 years, with 67% followed by 41- 55 years at 33%. All the following age group did not have a representative in the study with 0% participants: 10 – 18 years; 19 - 25 years; 55 – 70 years. 0% of participants did not specify. The findings indicate that there are no pensioners in LED unit and staff members consist of vibrant youth. This correlates well with findings in figure 4 about marital status. The age category is indeed overpopulated by youth who the majority of them are married.

**4.3.1.2. Nature and role of LED unit in South African municipalities**

LED unit is informed by various policy and legislation frameworks such as the National Development Plan (NDP), the White Paper on Local Government and Integrated Development Plan (IDP). The NPD serves as an engine for implementation of LED while the White paper on Local Government introduced the notion of developmental local government in 1998 in order to address the socio-economic injustices inherited

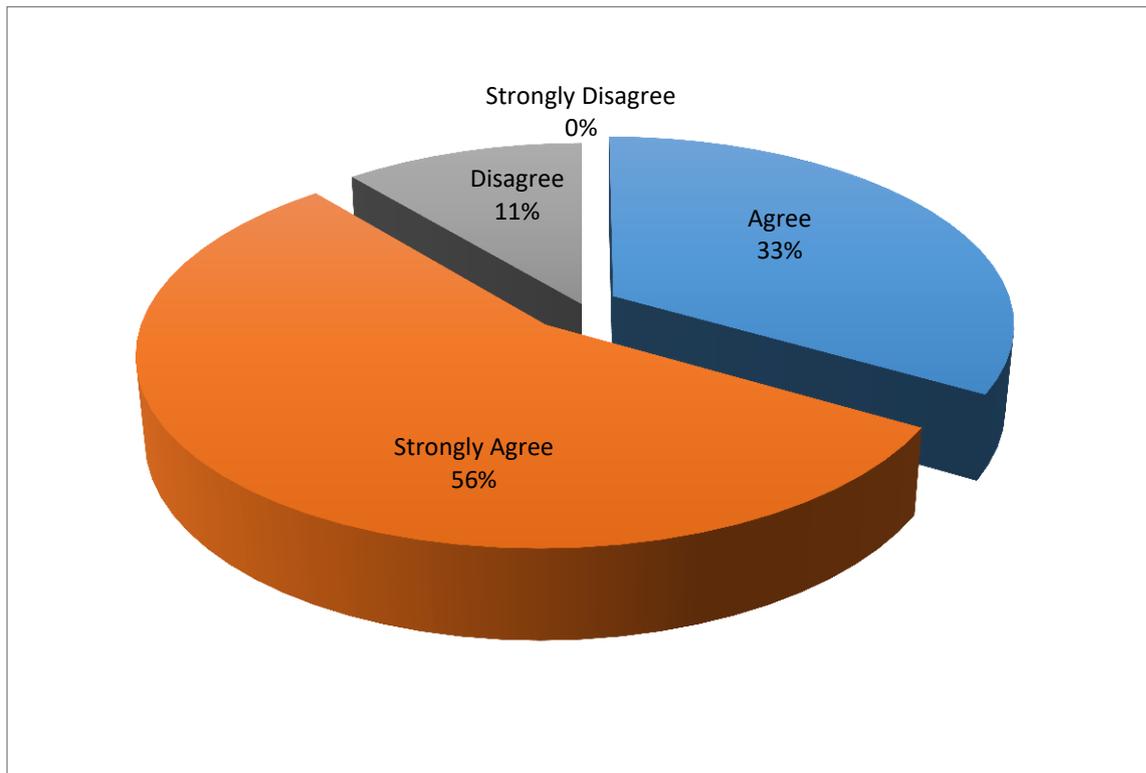
from apartheid. LED is used as a corridor to drive the agenda of developmental local government and create conducive environment for local economic development and growth in South Africa. LED is the core mandate of local government (Nel & Rogersson, 2015), however, communities in South Africa have dire socio-economic conditions despite the inception of LED nearly 22 years ago. It is therefore essential to investigate whether LED unit plays its role as informed by the national policy framework. The nature and role of the LED unit in the municipality need to be investigated in order to evaluate the effectiveness of the LED unit.

The effectiveness of the LED unit is measured by the role played by the LED unit in the local economy and its impact on the economy. The investigation of the nature and role of LED unit in South African municipalities constitute the following: LED unit links its programmes with other developmental programmes in the municipality; LED unit facilitates and create a conducive environment for investment attraction in the area; LED unit promotes the establishment and expansion of SMMEs through the provision of non-financial support; Municipality owns an enterprise. The findings of nature and role of LED unit in South African municipalities are as follows:

#### *4.3.1.2.1. LED unit links its programmes with other developmental programmes in the municipality*

Co-operative governance ensures that different units in the municipality work towards common objectives and goals in addressing socio-economic issues. The cooperative governance enhances the alignment and coordination of developmental programmes. It is therefore essential to investigate the coordination of LED unit with other municipal programmes in order to determine the degree to which the implementation of LED promoted. The findings of the LED unit link their programme with other developmental programmes in the municipality is as follows:

Figure 7: LED unit links its programmes with other developmental programmes in the municipality



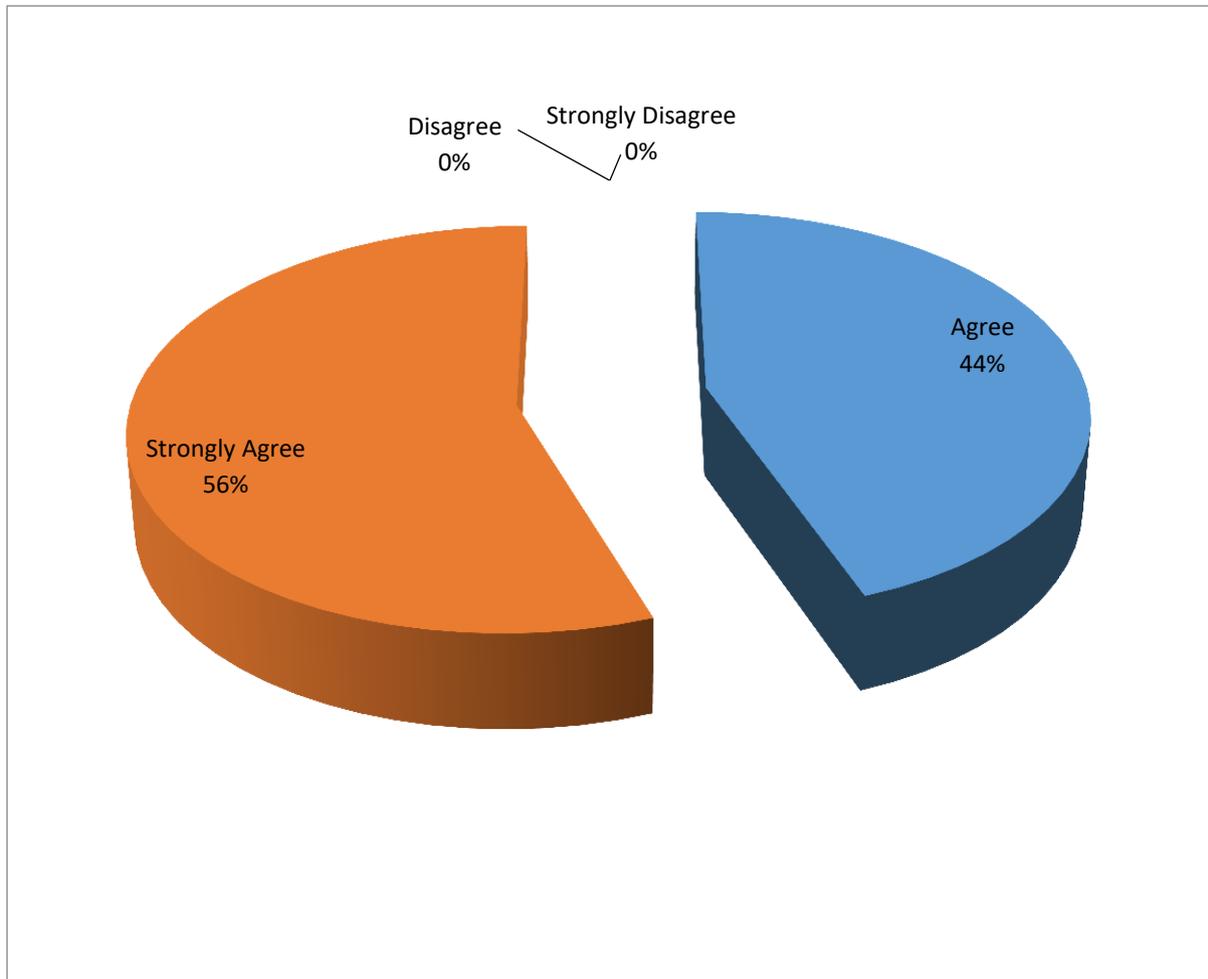
The figure above indicates that 56% of respondents in the LED unit strongly agree and 33% agree, while 10% disagree and 0% strongly agree that LED unit links its programmes with other developmental programmes of the municipality. The findings indicate that LED unit ensures collaboration between all stakeholders of LED in order to create jobs. The findings also suggest that LED unit ensures co-operate governance in the municipality. However, 11% of participants are not positive that LED unit links its programmes with other developmental programmes of the municipality. In overall 89% are agree that links exist, while only 11% disagree. The findings correlate with the assertion that the LED unit links its initiatives with other developmental programmes in the municipality (Malefane, 2009).

#### *4.3.1.2.2. LED unit facilitate and create a conducive environment for investment attraction in the area*

LED unit facilitates and creates a conducive environment for investment attraction in the area as part of its functions. The study investigates the extent in which LED unit in Polokwane Local Municipality execute this function. The findings of the LED unit

facilitate and create a conducive environment for investment attraction in the area is as follow:

Figure 8: LED unit facilitate and create a conducive environment for investment attraction in the area

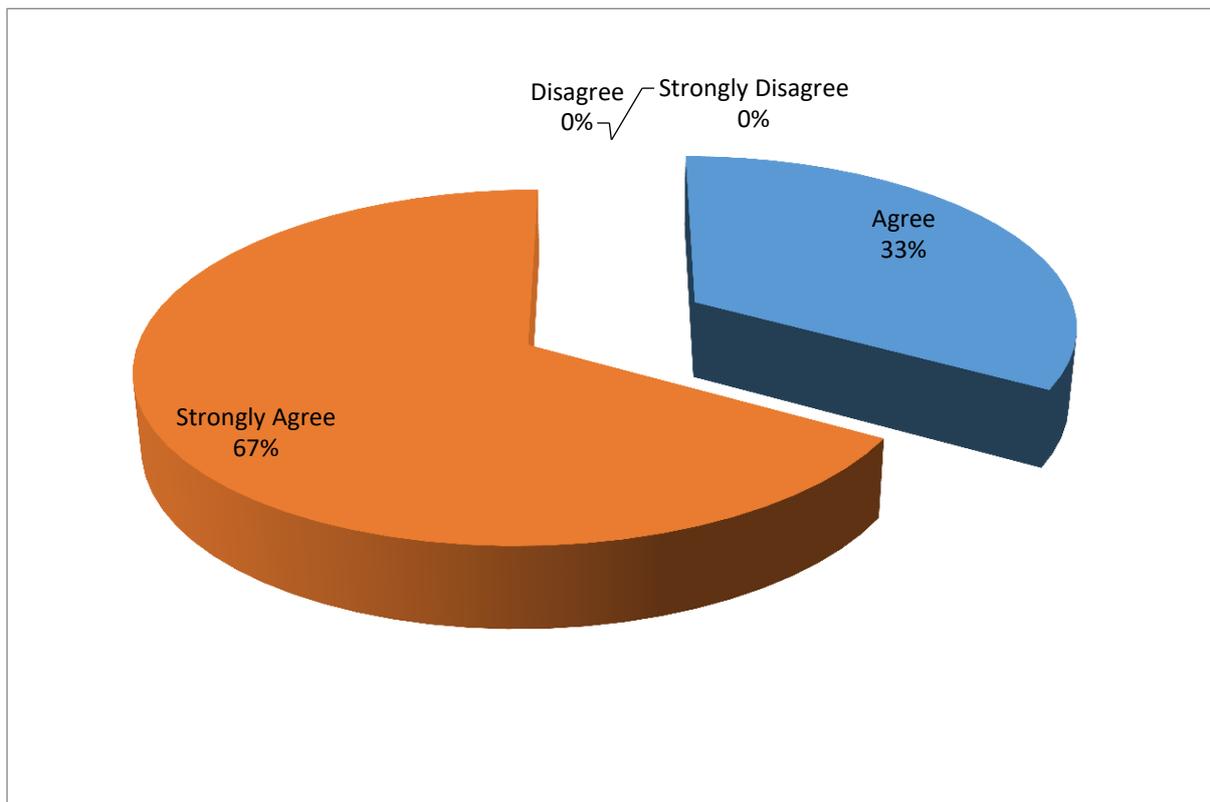


The figure above indicates that the majority of participants strongly agree at 56% while 44% agree, 0% of respondents either disagree or strongly disagree that LED unit facilitates and creates a conducive environment for investment attraction in the municipality. This means that 100% of respondents are of the opinion that the municipality creates a conducive environment for investment. This means that Polokwane Local Municipality is doing well in creating a positive economic development. The findings correlate with the assertion that the LED unit ensures investment in the municipality through restructuring developmental objectives, improving planning procedures and zoning regulations (Marais, Botes & Mosothoane, 2006).

4.3.1.2.3. LED unit promotes the establishment and expansion of SMMEs through the provision of non-financial support

The study investigates whether LED unit promotes SMMEs in order to have maximum impact on local economies in terms of job creation. The findings of the promotion of SMMEs through the provision of non-financial support are as follow:

Figure 9: LED unit promotes the establishment and expansion of SMMEs through the provision of non-financial support

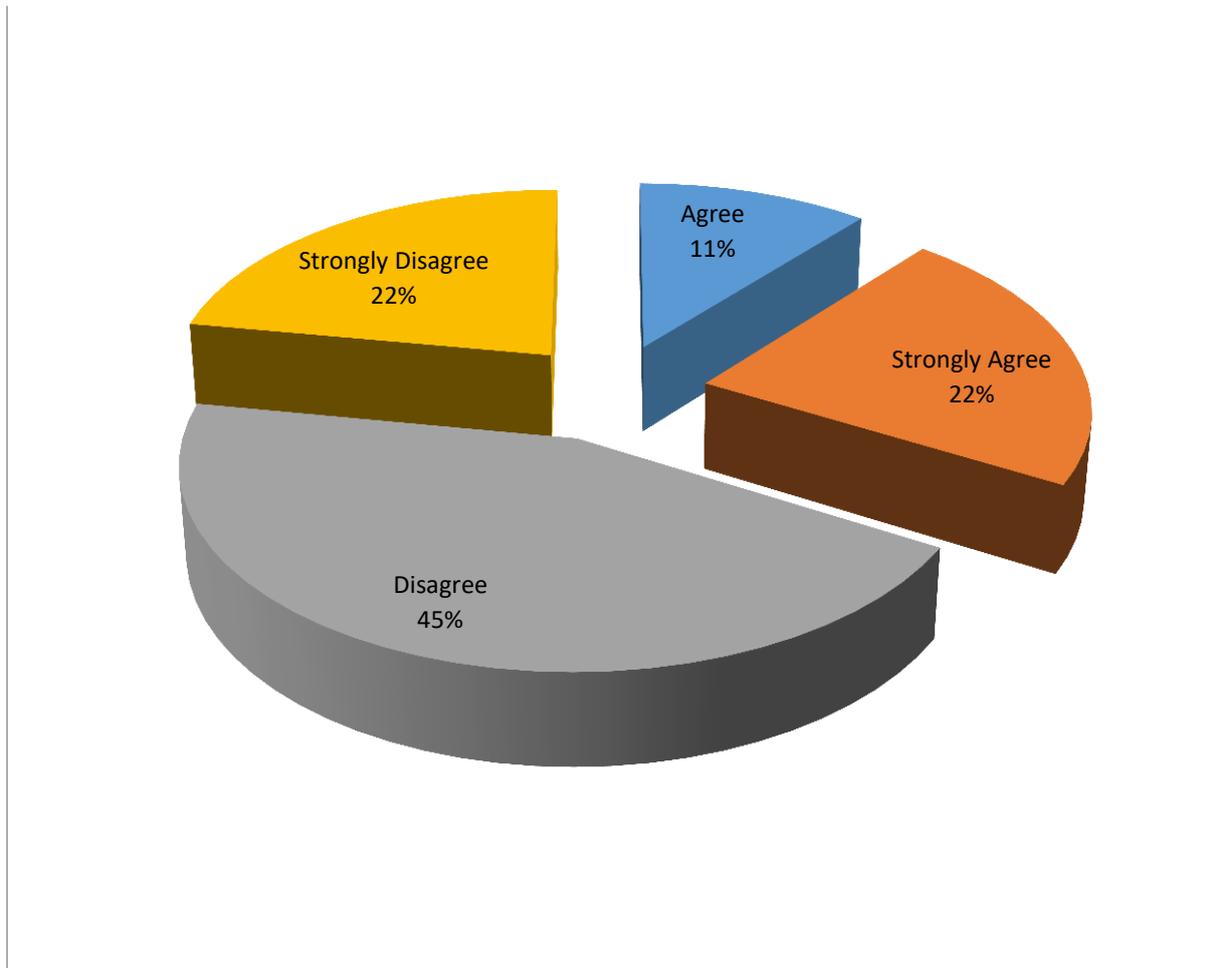


The figure above indicates that the majority of participants strongly agree at 67%, followed by 33% of participants that agree. In comparison, 0% of participants either disagree or strongly disagree that LED unit promotes the establishment and expansion of SMMEs through the provision of non-financial support. In total 100% of respondents are in agreement against 0% of respondents. The findings indicate that LED unit provides non-financial support to SMMEs. The findings suggest that LED unit provides services that encourage the establishment of economic activities. The findings correlate with the assertion that the LED unit has to support SMMEs through non-financial support (Binza, 2005).

#### 4.3.1.2.2. The municipality owns an enterprise

Municipal entrepreneurship boosts municipal revenue and enables the municipality to provide a high quality of service delivery. Municipal entrepreneurship is an ideal strategy to create extra municipal revenue. The findings of the municipality own an enterprise is as follows:

Figure 10: Municipality owns an enterprise



The figure above indicates that the majority of participants disagree at 45% followed by 22% of participants that strongly disagree and strongly agree, while 11% of participants agree that the municipality owns an enterprise. In total 67% of respondents disagree, while only 33% agree that Polokwane Local Municipality owns some business enterprise. It is possible that those who agree may have no knowledge of such while that disagree know such enterprises.

#### *4.3.1.3. Effectiveness of LED initiatives taken to improve local economies in Polokwane Local Municipality*

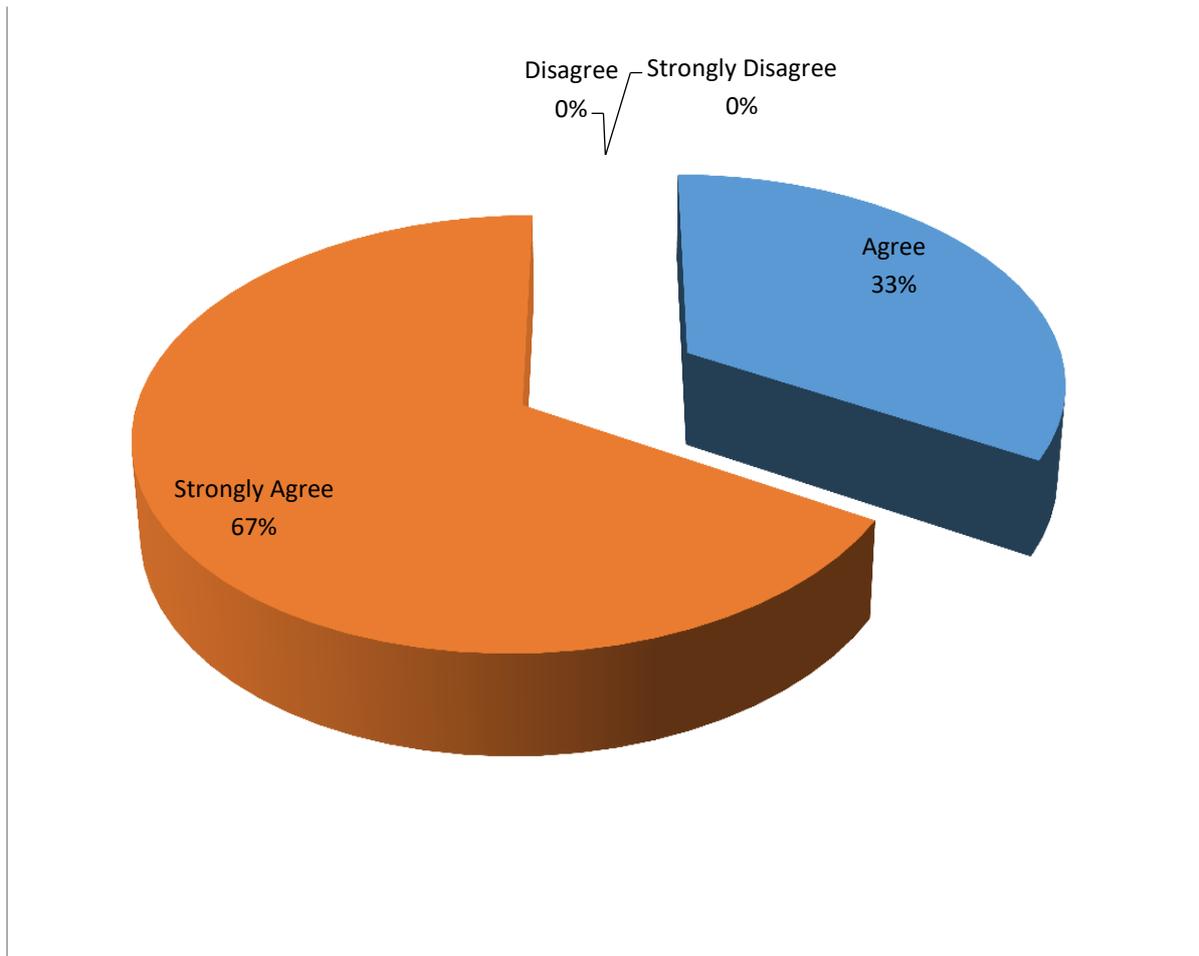
According to Chapter 7 of the Constitution of the Republic of South Africa 1996, the municipality has a right to manage the Local government affairs by developing initiatives and strategies that emanate from NDP. It is on this basis that the LED unit draws its initiatives within the Municipality. Such initiatives either attract investment or disadvantage the LED unit. The study probes the effectiveness of LED initiatives since LED is an outcome base policy. LED initiatives need to be effective in order to realise the transformed status quo of local economy.

The effectiveness of LED initiatives is investigated through the following: SMMEs creates job opportunities in the locality; Municipality has provided adequate infrastructure; LED unit ensures that companies in the locality do not leave for better attractive location; LED unit promotes spending on local products; LED unit invest in human capital development and productivity and LED unit encourages SMMEs to produce local goods instead of importing such goods.

##### *4.3.1.3.1. SMMEs creates job opportunities in the locality*

The purpose of LED is to create sustainable job opportunities and alleviates poverty. Therefore, LED should direct its initiatives towards the creation of job opportunities. Jobs in the locality boost the tax base and economic life in the locality. SMMEs are considered to be the engine of job creation (Katua, 2014); (Wang, Y. 2016); (Drabek, Lorincova & Javorcikova, 2017). The study investigates whether or not SMMEs create job opportunities in the municipality. The following is the representation of SMMEs creates job opportunities in the locality.

Figure 11: SMMEs creates job opportunities in the locality



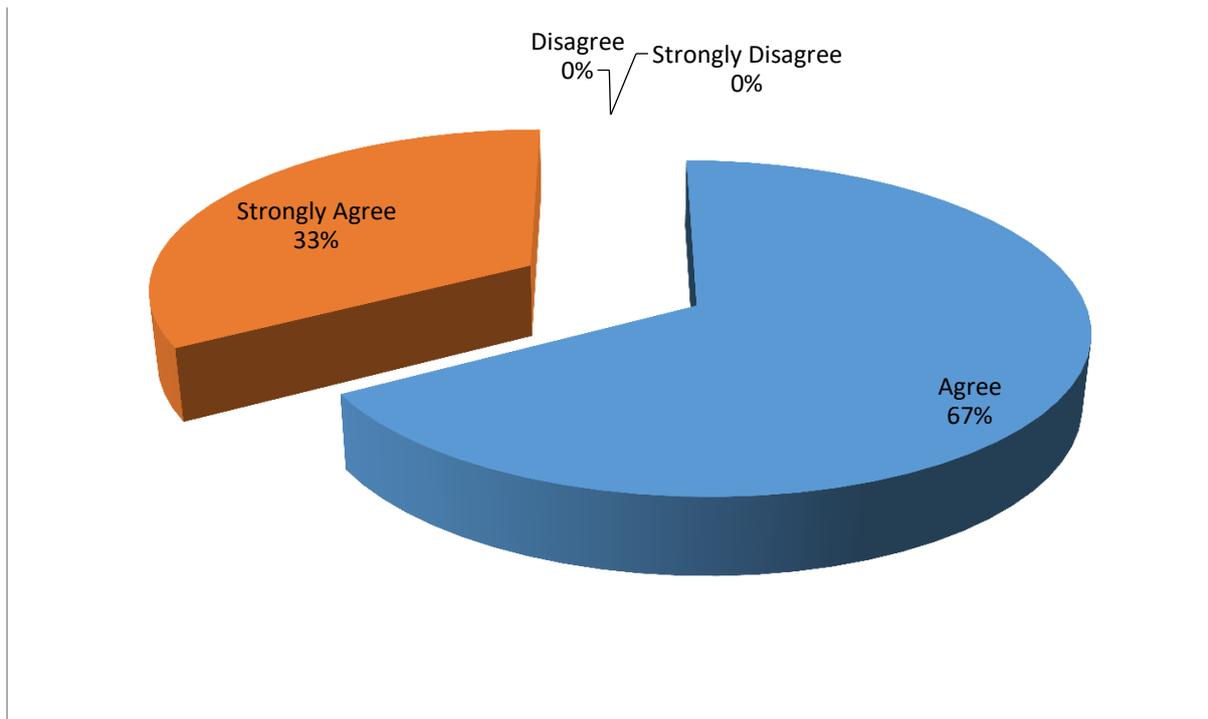
This figure above indicates that the majority of participants strongly agree at 67%, followed by 33% of participants agreeing. 0% of participants either disagree or strongly disagree. This indicates that 100% of respondents agree that SMMEs create job opportunities in the municipality. The findings further indicate that LED unit is knowledgeable about the municipality's role in SMMEs and the creation of job opportunities. The fact that only 0% of participants disagree shows to believe that the municipality plays its role in job creation. The findings correlate with the assertion that SMMEs is a job creation mechanism (Slabbert, 2004).

#### 4.3.1.3.2. *The municipality has provided adequate infrastructure*

Infrastructure has a crucial role in economic development by fuelling economic activities. Infrastructure development is one of the factors that contributes to the economic growth. In China, the rate of economic growth has increased due to physical infrastructure development (Sahoo, Dash & Nataraj, 2010). The lack of infrastructure hinders economic growth. The study investigated whether LED unit provides adequate

infrastructure in order to evaluate the stimulator role of the municipality in LED. The following is the presentation of the municipality that has provided adequate infrastructure.

Figure 12: Municipality has provided adequate infrastructure



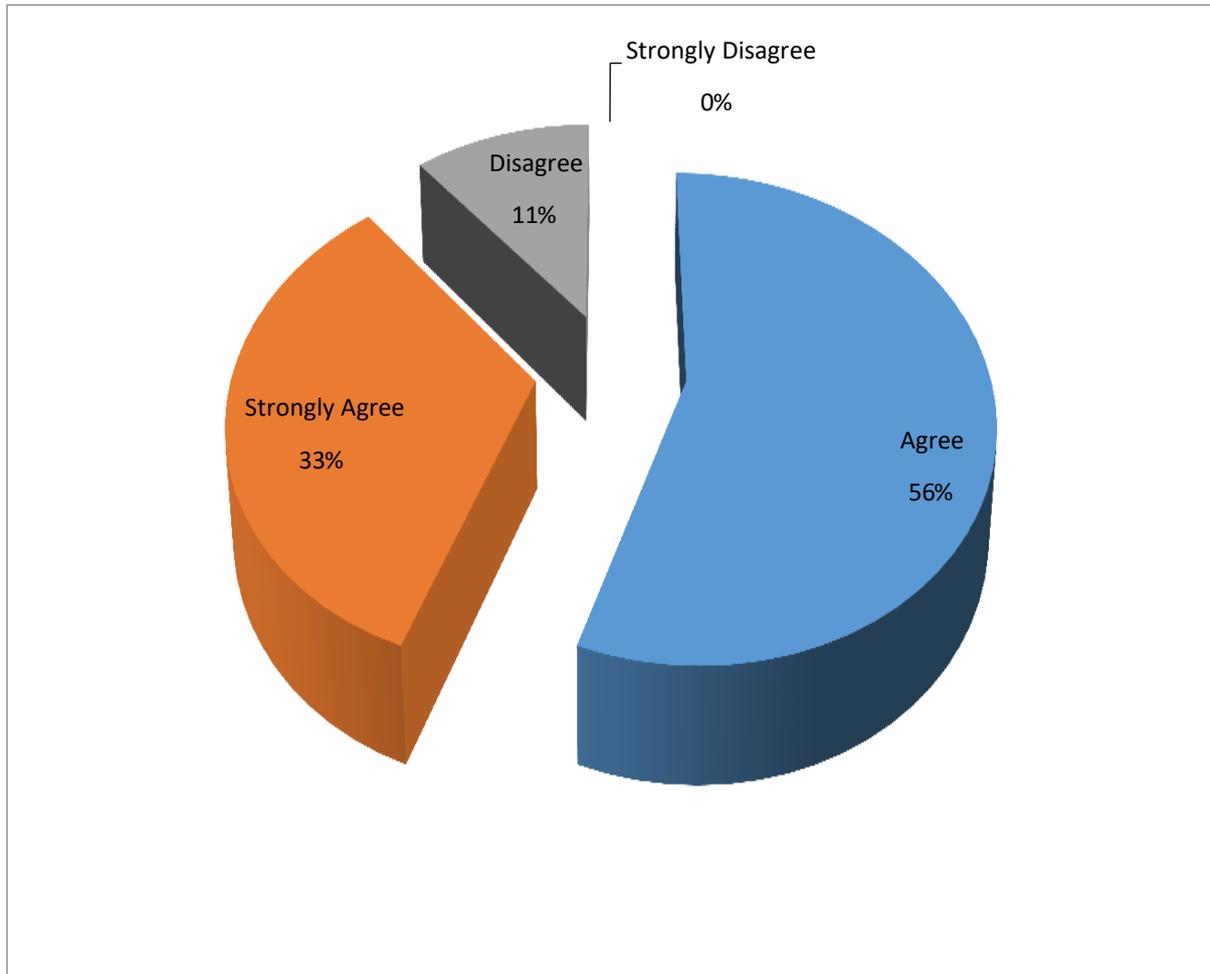
The figure above shows that the majority of participants with 67% agree, followed by 33% of participants who strongly agree. 0% of participants either disagree or strongly disagree. In total, 100% of respondents agree that LED unit provides adequate infrastructure. It can be assumed that the LED unit provides enough infrastructure needed for the implementation of LED. The findings correlate with the assertion that there has been a progress in the provision of infrastructure since democracy in South Africa (DBSA, nd: 1-2).

#### *4.3.1.3.3. LED unit ensures that companies in the locality do not leave for better for a better alternative location*

Retention strategies include the provision of subsidies to the established SMMEs in the locality in order to retain them. Such subsidies include lower corporate rates in exchange of performance contract entailing job fulfilled by the said SMMEs in the municipality (Sullivan & Green, 1999). New SMMEs will be attracted to the locality when existing SMMEs enjoy local resources. The study investigates whether LED unit

retains SMMEs in the locality in order to evaluate the sustainability of job opportunities in the municipality. The following is the presentation of LED unit ensures that companies in the locality do not leave for better alternative location findings:

Figure 13: LED unit ensures that companies in the locality do not leave for a better alternative location



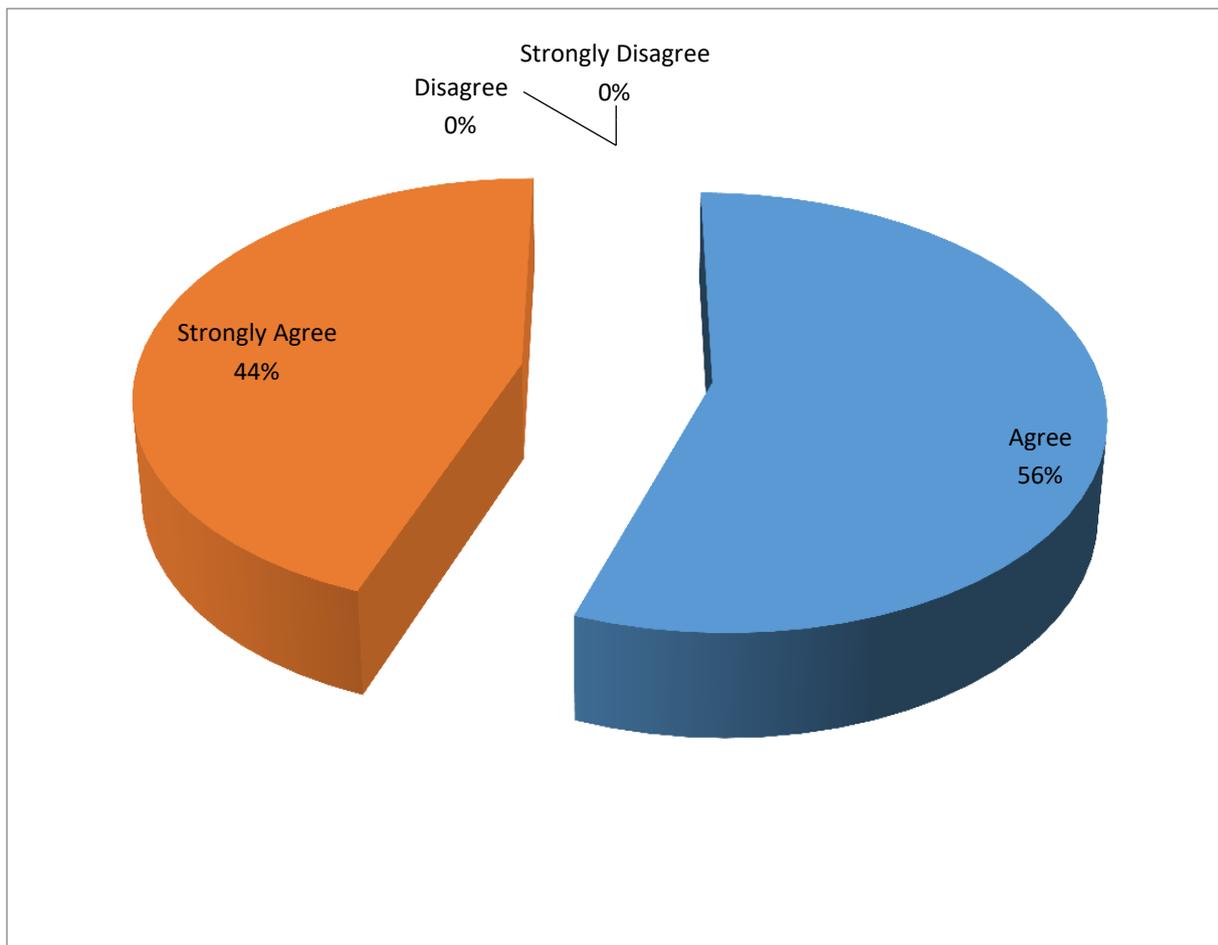
The figure above indicates that the majority of LED unit participants agree with 56% and 33% of participants strongly agree. 11% of participants disagree and 0% of participants strongly disagree that companies do not leave for a better alternative locations. In total 89% of respondents agree that companies do not leave for a better alternative locations. Only 11% of respondents are in disagreement with the notion that the LED unit ensures that companies in the locality do not leave for a better attractive location. The results indicate that LED unit retains SMMEs in the locality. The results suggest that there are retention strategies in LED that ensures that SMMEs do not leave for an alternative location choice outside of the municipal borders. The

retention strategies include the provision of adequate service and infrastructure (Slabbert, 2004).

#### 4.3.1.3.4. LED unit promotes spending on local products

When people in the community spend on locally produced goods, they circulate local monies in the community and ultimately grow the capacity of the local economy. More goods will be demanded which leads to demand in labour. Monies spend on goods that are produced elsewhere licks monies out of the community. The study probes whether LED unit promotes local spending in order to evaluate the promotion of local economies. The following is the presentation of LED unit which promotes spending on local products:

Figure 14: LED unit promotes spending on local products



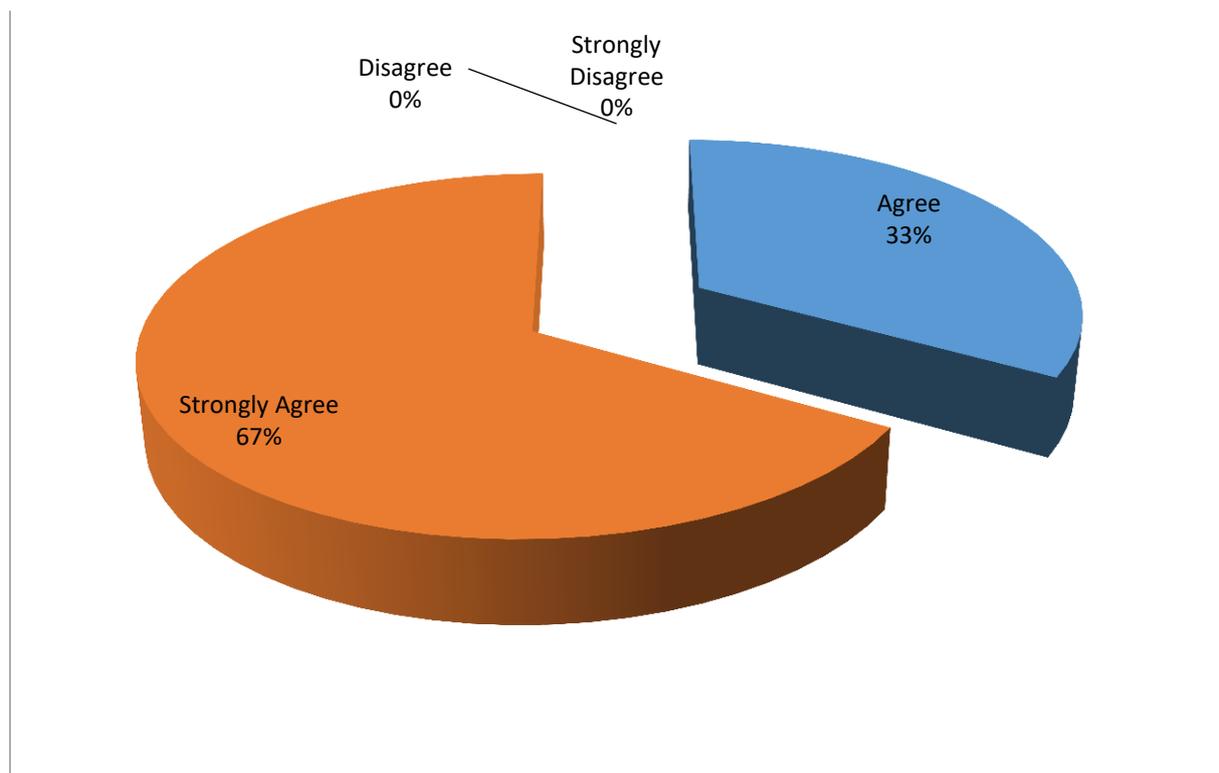
The figure above indicates that the majority of participants at 56% agree, followed by 44% of participants strongly agree. 0% of participants disagree and disagree respectively. In total 100% of participant think that LED unit promotes spending on local products. The result shows that the municipality promotes spending on local

products. These findings correlate with literature that Polokwane Local Municipality facilitates local, national and international market exhibition in order to assist small business to penetrate and established market base. This is confirmed by the assertion that the LED unit jointly facilitated the hosting of SMMEs exhibitions with five municipalities and also partnered with the Capricorn District to facilitate the SMMEs exhibition space in Africa Durban Tourism Indaba and Cape Town for the World Travel Market (Capricorn District, 2019). Municipalities also promote small businesses in the localities by providing stall hawkers to local traders (Nthekeleng, 2014).

#### 4.3.1.3.5. The LED unit invest in human capital development and productivity

The Local Economic Development Unit should invest in the development of human capital in order to achieve a higher rate of skilled economic drivers. Investing in human capital results in productivity of SMMEs and ultimately achieve organisational objectives. Investment in human capital is crucial for a competitive organisation (Drabek, Lorincova & Javorcikova, 2017). The following is the presentation of LED unit invest in human capital development and productivity findings:

Figure 15: LED unit invest in human capital development and productivity



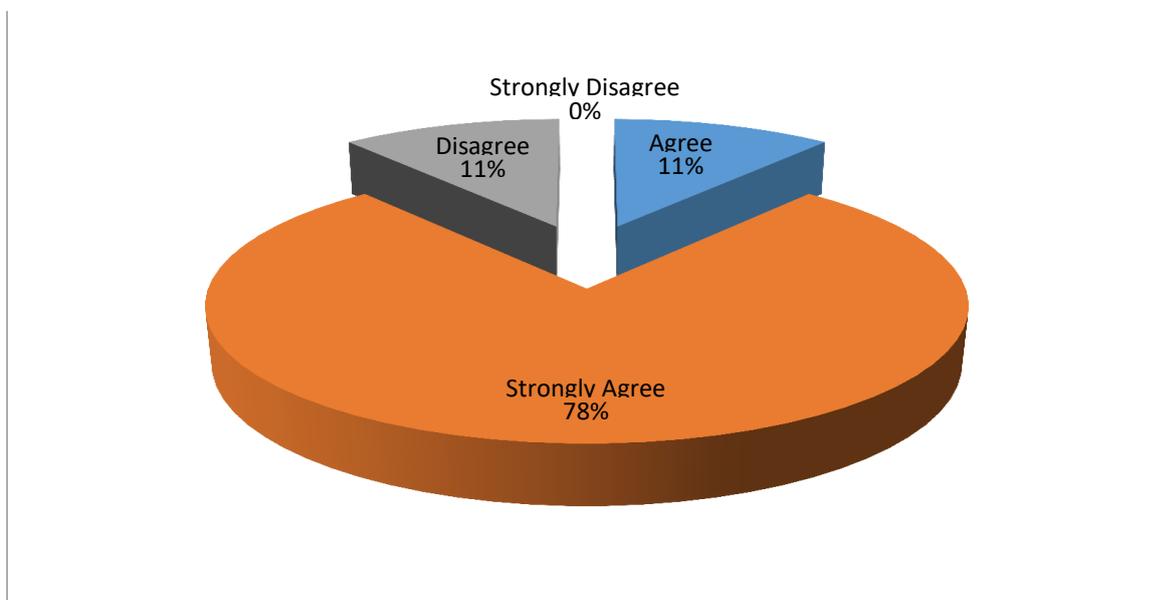
The figure above indicates that the majority of participants strongly agree at 67% followed by 33% of participants who agree. 0% participants agree and disagree

respectively. In total 100% of the participants are of the opinion that the LED unit invests in human capital development and productivity. The results show that the LED unit provides services that promote capacity building. The findings correlate with the assertion that government invests in people's education (Department of Cooperative Governance Traditional Affairs and Human Settlement (DCGTAHS), nd). The findings indeed suggest that people's education is prioritised as emphasised by Mogalakwena Local Municipality (Mogalakwena Local Municipality, 2006).

#### 4.3.1.3.6. LED unit encourages SMMEs to produce local goods instead of importing such goods

The study probed whether LED unit encouraged SMMEs to substitute imports in the local economy. The Municipality needs to encourage import substitution and exports in order to realise economic growth. Countries that are developed have higher export rates and import substitution. This reflects the significance of import substitution and exports on economic growth. Economic development can be realised by substituting imports goods by locally produced goods. Import substitution, exports and increase in demand plays a crucial role in the growth of the economy. The following is a presentation of LED unit promotes spending on local products:

Figure 16: LED unit encourages SMMEs to produce local goods instead of importing such goods



The figure above indicates that the majority of participants strongly agree at 78% while 11% agree and disagree respectively. 0% of participants strongly disagree. In total

89% of respondents agree that LED unit encourages SMMEs to produce local goods instead of importing such goods, while only 11% disagree. The findings further show that LED unit encourages import substitution. It is assumed from the findings that the Polokwane Local Municipality, therefore, supports locally produced goods which is good for local economic development.

#### *4.3.1.4. Challenges that LED unit encounters*

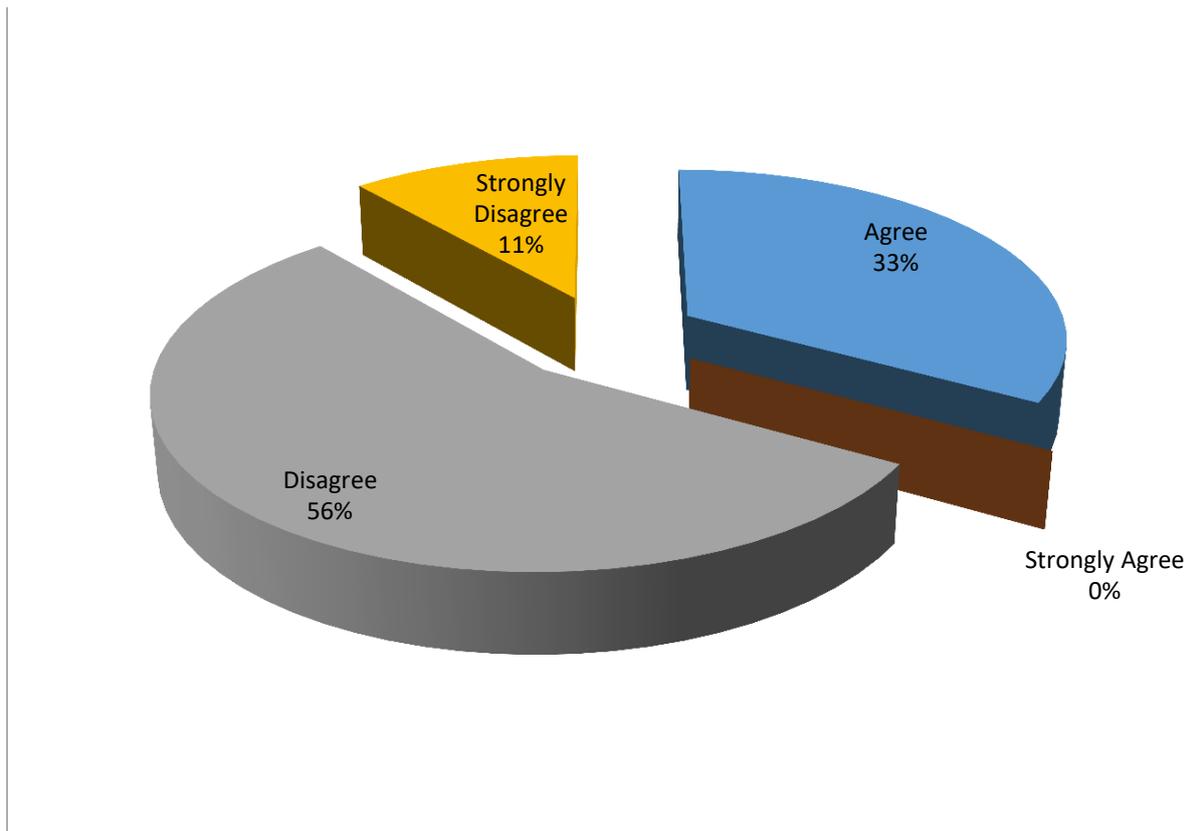
The unemployment rate is 26.3% in Polokwane Local Municipality (City of Polokwane, 2018). The unemployment rate in the municipality is alarming despite the inception of LED. The unemployment rate serves as evidence that there are challenges of the LED unit which hinders the implementation of LED. The effectiveness of the LED unit lies in the level of job creation in the municipality.

The study investigates the challenges of implementing LED in order to identify factors hindering the implementation process. The investigation of LED challenges include the following: LED unit have enough recruitment process; LED funding is inadequate; LED unit work together with the private sector, society and community interest organisation to stimulate local economy; Mismanagement of LED funds hinders the successful implementation of LED and Unemployment and poverty alleviation drives people in the locality to migrate to urban areas in search of greener pasture.

##### *4.3.1.4.1. LED unit have enough recruitment process*

Typically, LED unit in municipalities do not have enough staff members. The study probes the recruitment processes in order to identify whether the LED unit has enough staff members given the population in Polokwane Local Municipality. This will assist the researcher to understand the skills and staff capacity of LED unit. The following is the presentation of LED unit have enough recruitment process findings:

Figure 17: LED unit have enough recruitment process

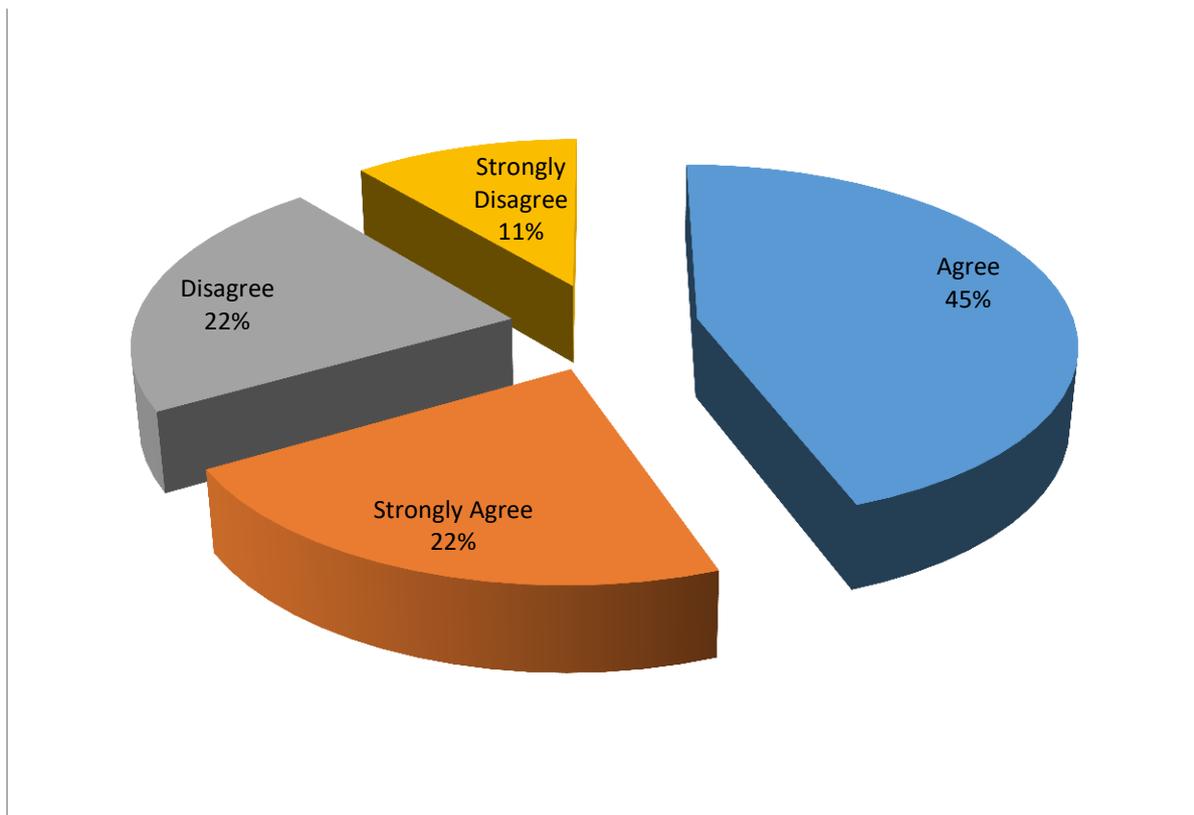


The figure above indicates that 56% of participants disagree and 11% of participants strongly disagree. 33% of participants agree and 0% of participants strongly agree. In total 67% of participants are of the view that there are insufficient recruitment processes. Only 33% are of the opinion that recruitment processes are sufficient. The findings above correlate with the assertion that often LED unit lacks recruitment processes (Munzhedzi, 2015) and that there is shortage of skills capacity in local government (Koma, 201). It is assumed from the findings that the LED unit has few employees and has a large population to service. Polokwane Local Municipality has a population of 728 468 in which 20% are youth from 20 -29 years, the general working age from 30 - 64 years is 32% and the elderly over 65 years of age are 5% (Municipal Demarcation Board, 2018).

#### 4.3.1.4.2. LED funding is inadequate

The study probes whether LED unit has enough funding in order to evaluate the impact of LED. Adequate funding enables the LED unit to effectively implement LED and achieve maximum impact on the local economy. The findings of LED funding are presented below:

Figure 18: LED funding is inadequate

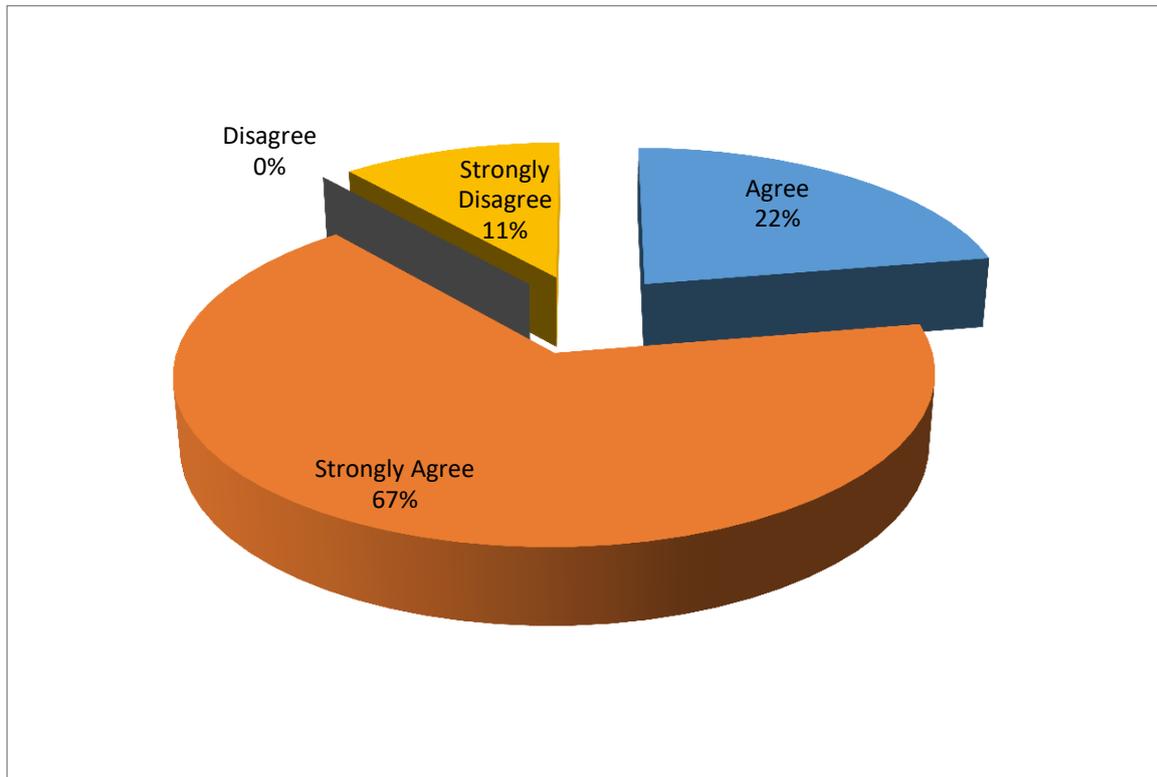


The figure above indicates that the majority of participants agree at 45%, followed by 22% of participants who agree. In total 67% of participants are of the opinion that funding is inadequate in the LED unit. Only 33% of participants are of the view that LED funding is adequate. The overall results show that LED unit does not have enough funding. The findings correlate with the assertion that LED funding is often inadequate (Turner *et al.* 2008). The lack of LED funding might be evident in the shortage of infrastructure needed for the implementation of LED.

#### *4.3.1.4.3. LED unit work together with the private sector, society and community interest organisation to stimulate the local economy*

The study probes whether all the stakeholders of LED play its part in the local economy. For LED policies to be effectively implemented the government, society and private sector should all play their role. The findings of LED unit work together with the private sector, society and community interest organisation to stimulate the local economy is presented below:

Figure 19: LED unit work together with the private sector, society and community interest organisation to stimulate the local economy



The figure above indicates that the majority of participants strongly agree at 67%, followed by 22% of participants who agree. In comparison, 11% strongly disagree, and 0% disagree that LED unit works together with the private sector, society and community interest organisation to stimulate the local economy. In total, 89% are in agreement that LED unit work with other stakeholders against a small fraction of 11% who disagree. The findings correlate with the assertion that LED is an unemployment mitigation tool in which local government, society, NGOs and the private sector work together to improve local economies (Blakely & Leigh, 2016).

#### *4.3.1.4.4. Mismanagement of LED funds hinders the successful implementation of LED*

The study probes whether the LED unit redirects LED funding for the non-LED purpose. Public officials must spend public monies in good faith. Mismanaging the public funds hinders the maximum impact of LED.

Figure 20: Mismanagement of LED funds hinders the successful implementation of LED

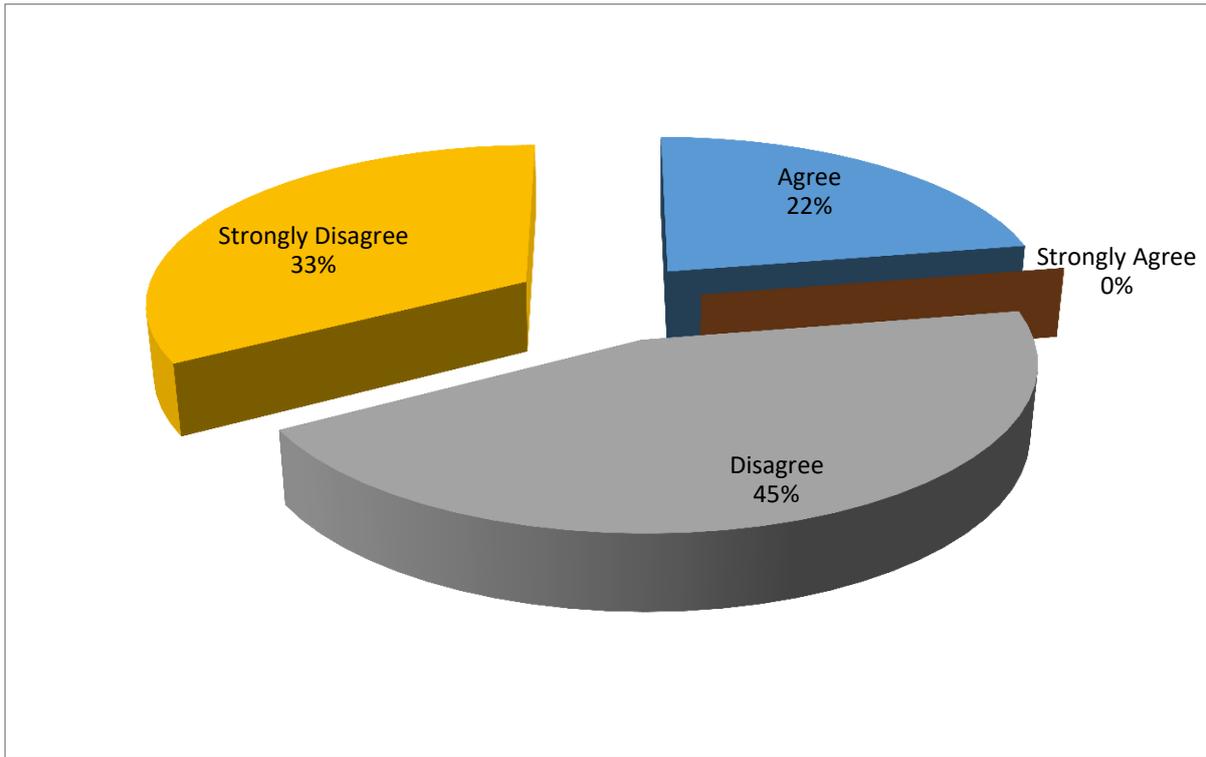
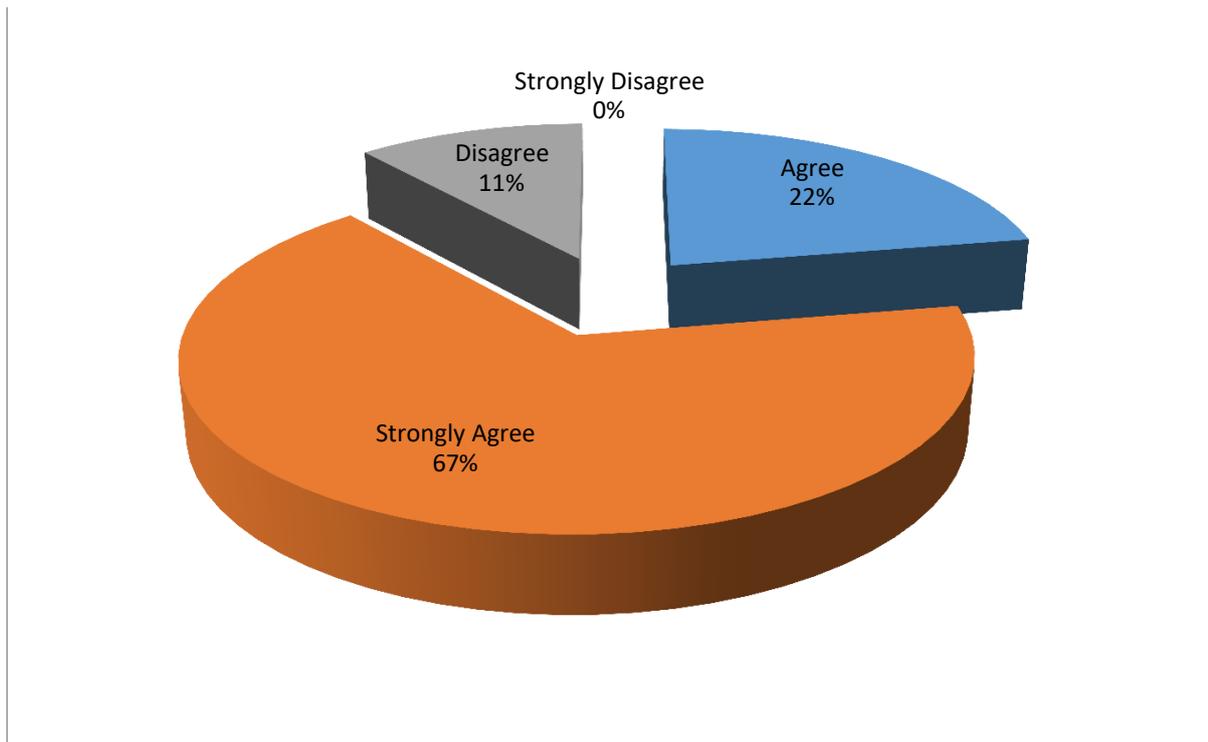


Figure 18 above indicates that majority of participants disagree at 45% followed by 33% of participants who strongly disagree. In total, 78% of participants are of the opinion that there are no LED funds which are mismanaged to hinder LED. Only a small fraction of 22% agrees. 22% of participants hold the opinion that mismanagement of LED funds hinders the successful implementation of LED. The findings suggest that there is no mismanagement of funds in the LED unit which impacts LED functions. The findings contradict the assertion of Nkwinika & Munzhedzi (2016) that corruption exists in LED unit.

*4.3.1.4.5. Unemployment and poverty alleviation drives people in the locality to migrate to urban areas in search of greener pastures*

The study probes whether citizens in the locality migrate to other provinces in order to determine the impact of LED unit. A skilled and competent citizen needed for effective implementation of LED policies migrate to other provinces and boost local foreign economies. The findings of Unemployment and poverty alleviation drive people in the locality to migrate to urban areas in search of greener pasture is presented below:

Figure 21: Unemployment and poverty alleviation drives people in the locality to migrate to urban areas in search of greener pastures



The figure above states that 67% of participants strongly agree, followed by 22% of participants agree. In total, 89% of the respondents are of the opinion that unemployment and poverty drives people to migrate to urban areas only a small fraction of 11% that unemployment and poverty alleviation drives people to migrate to urban areas in search of greener pastures. The overall findings suggest that unemployment causes migration. The findings relate with the assertion that unemployment and poverty causes migration (Nkwinika & Munzhedzi, 2016). It can be further be suggested that LED unit needs to put more effort into its economic development efforts in order to retain social skills, talent and competencies.

#### 4.3.1.5. Opportunities for LED unit

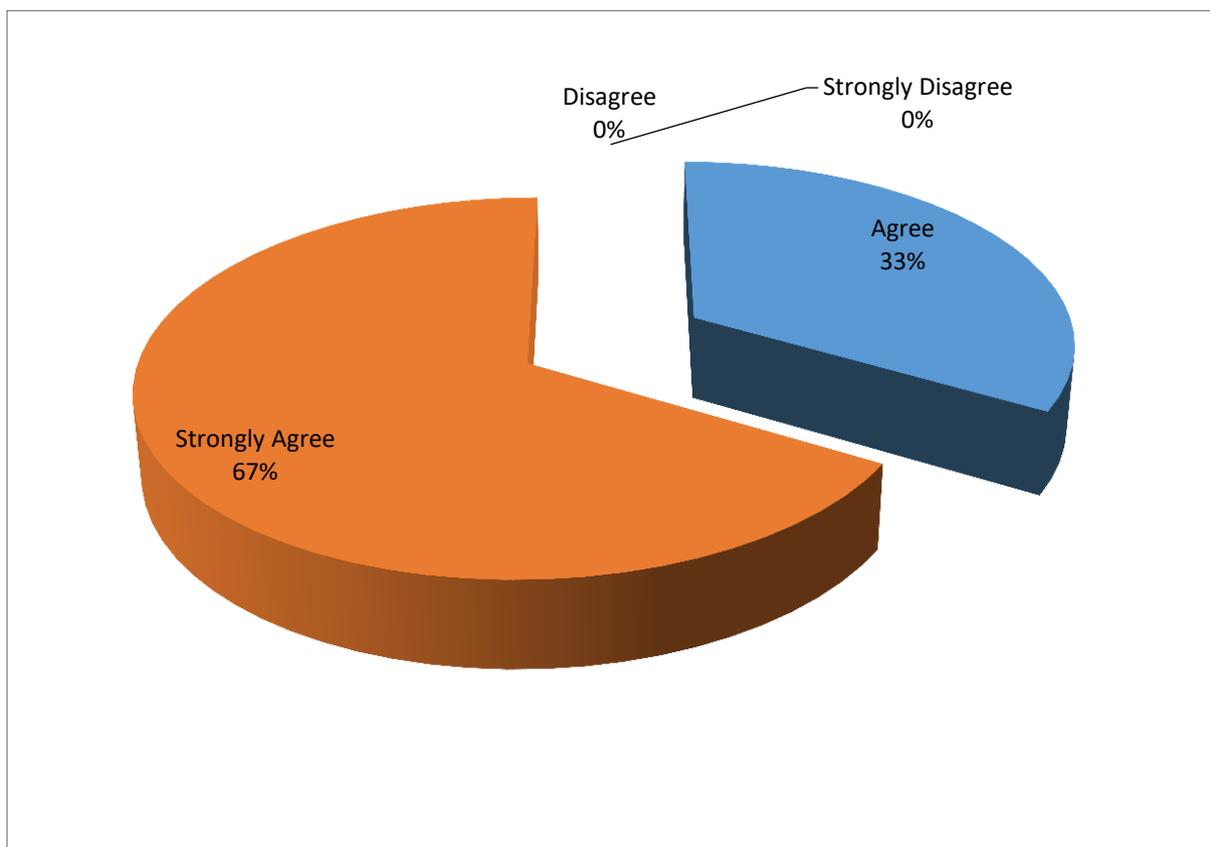
There are three economic sectors which each have various markets in each community. The LED unit together with all stakeholders of LED needs to work together and tap into each market that has the potential to generate sustainable job opportunities. The study probes whether there are any existing LED opportunities in the Municipality. This is probed through the following: Whether economic activities are diversified in the municipality; LED opportunities lie in three economic sectors namely primary, secondary and tertiary sector; each community has its unique resources that can be used to generate profit and create jobs for community members; financial

institutions invest in sustainable community initiatives and the economy of Polokwane Local Municipality is likely to grow given opportunities in all economic sectors.

#### 4.3.1.5.1. Economic activities are diversified in the municipality

The study probes whether economic activities are diversified in the municipality. This will help the researcher understand the nature of economic activities in the Municipality. Diversified economic activities entail that people in the community can operate their unique business without worrying about competition or monopolised markets in the community. The findings of the study are presented below:

Figure 22: Economic activities are diversified in the municipality

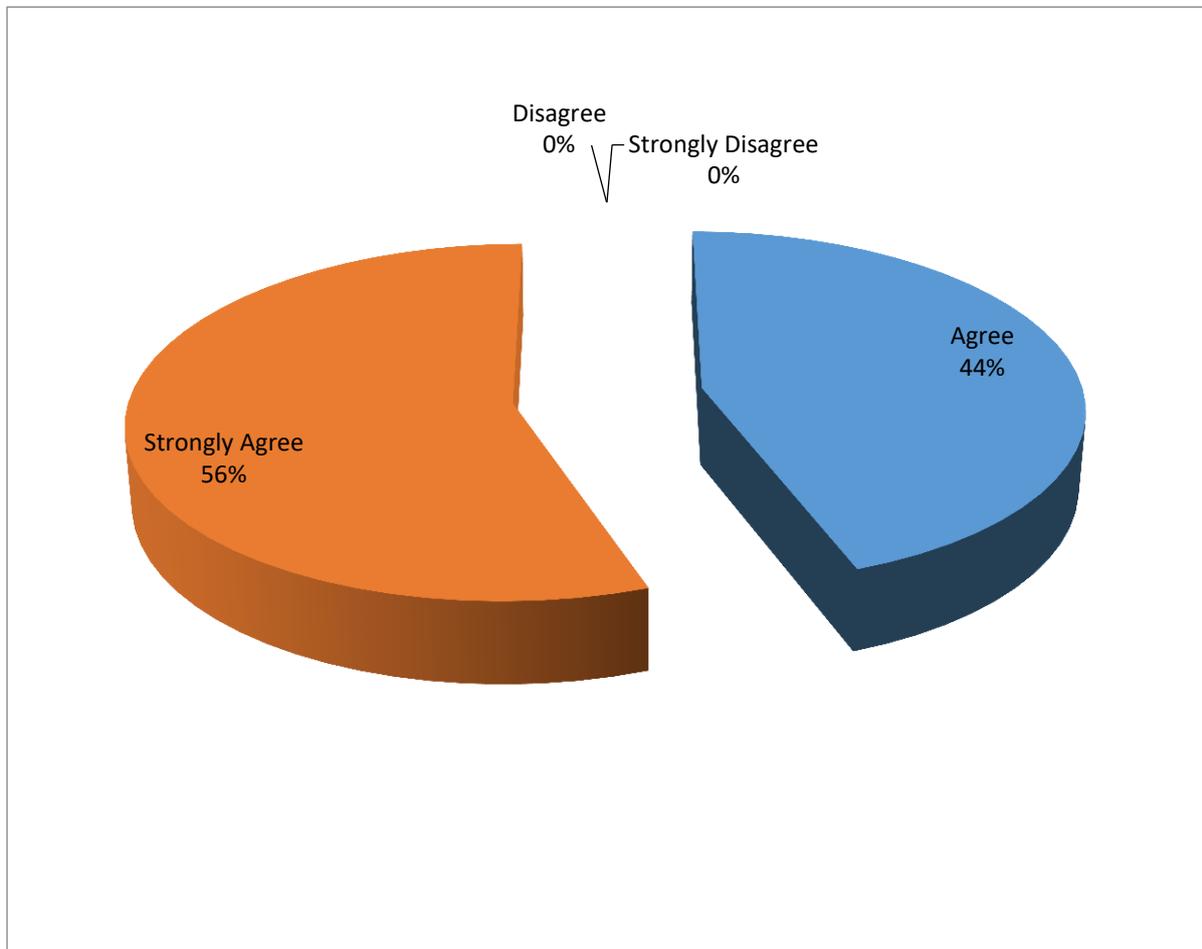


The figure above indicates that the majority of the participant at 67% strongly agree and 33% agree that economic activities are diversified in the municipality. In general, 100% of the participants are of the view opinion that economic activities are diversified. The findings suggest that Polokwane Local Municipality has diverse economic opportunities. The findings also suggest that community members can pursue a variety of economic activities in the municipality.

#### 4.3.1.5.2. LED opportunities lies in three economic sectors namely primary, secondary and tertiary sector

The study probes whether the LED unit staff members are familiar with the opportunities of LED that they can take advantage of and direct it towards economic growth and development. The findings of the study are presented below:

Figure 23: LED opportunities lies in three economic sectors namely, primary, secondary and tertiary sector



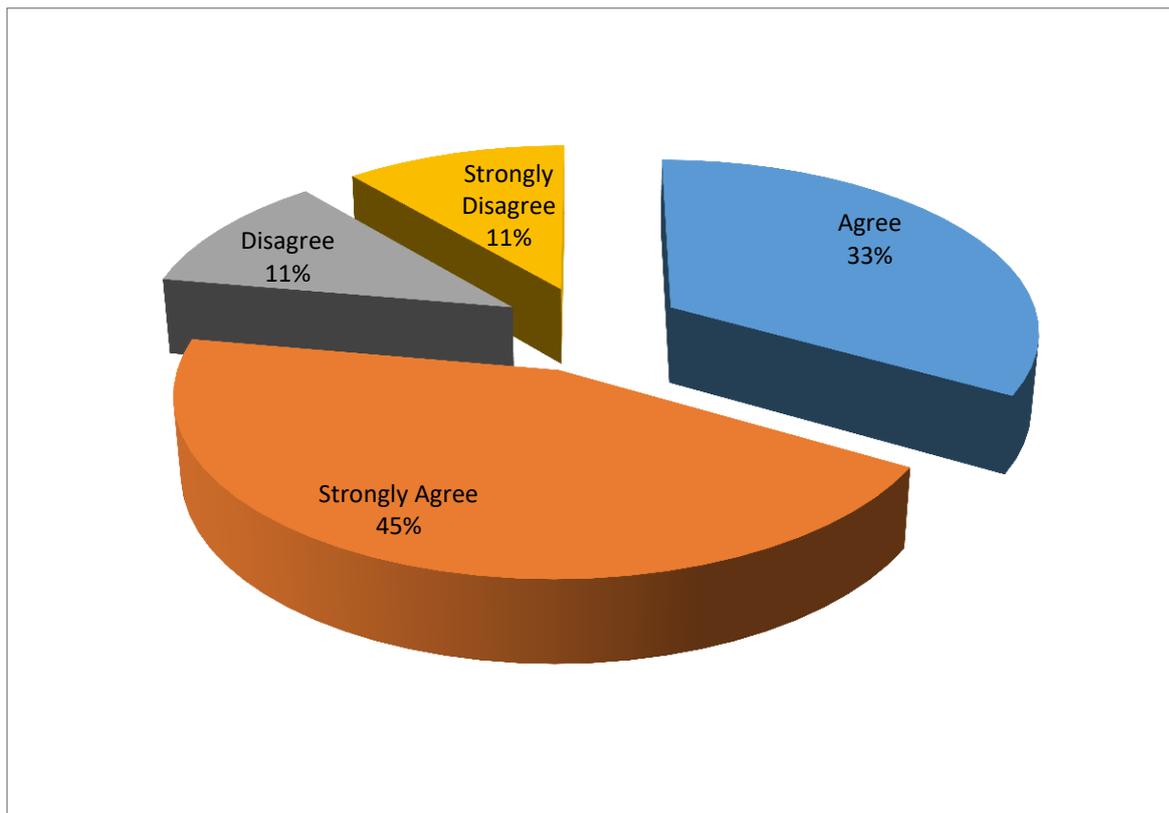
The figure above indicates that the majority of participants at 56% strongly agree followed by 44% of participants that agree. 0% of participants disagree or strongly disagree. In general, 100% of participants are of the opinion that LED opportunities lie in three economic sectors namely, primary, secondary and tertiary sectors. These findings suggest that officials in the LED unit are knowledgeable that all economic activities are rooted in all sectors of the economy.

#### 4.3.1.5.3. *Each community has its unique resources that can be used to generate profit and create jobs for community members*

Communities with resources attract investment for the generation of sustainable economic growth and development. Community members can also use such

resources to generate income. Moreover, the communities with resources advantage the LED unit as it already has a foundation of economic stability. The study probes the unique resources communities in order to evaluate the utility of the LED unit. The status quo of resources determines the productivity and effectiveness of the LED unit. The findings of the study are presented below:

Figure 24: Each community has its unique resources that can be used to generate profit and create jobs for community members



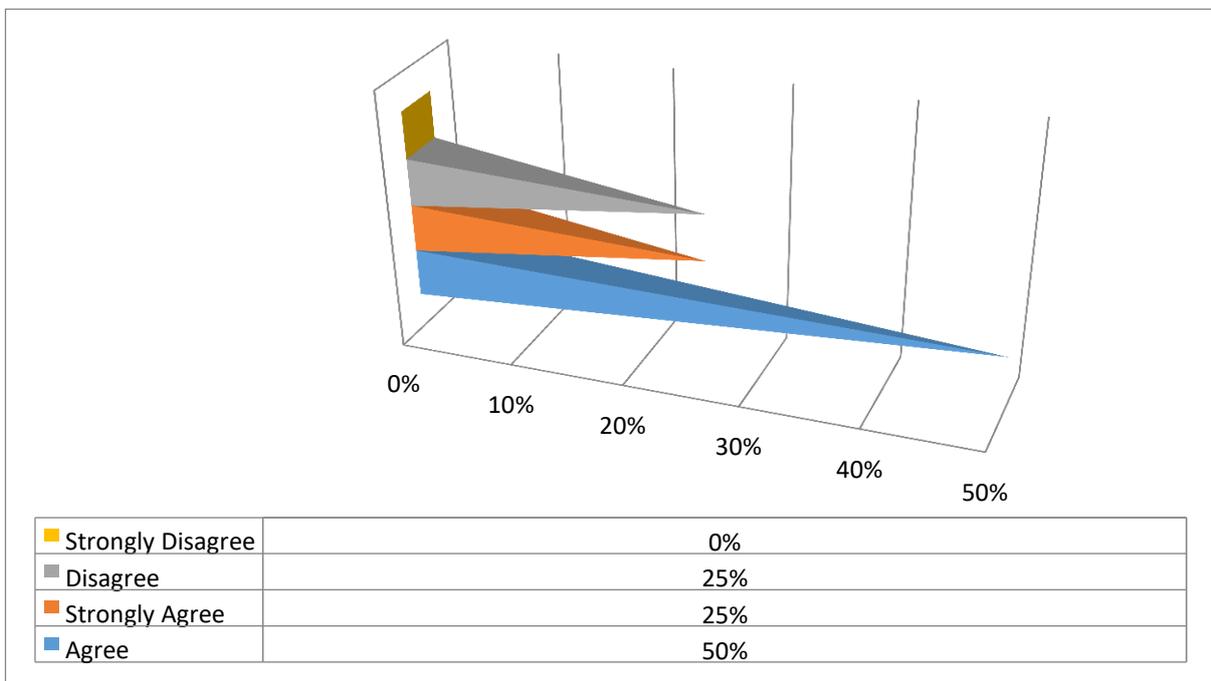
The figure above indicates that the majority of participants strongly agree at 45%, followed by 33% of participants who agree. In comparison, 11% of participants disagree, and 11% strongly disagree that each community has its unique resources that can be used to generate profit and create jobs for community members. In general, the majority of participants (78%) are of the opinion that unique resources exist in local communities, while only 22% is opposed to that. The findings suggest that The community members identify the local resources and implement the sustainable LED projects that are directed to the common economic objectives within the area (Nemanashi, 2010). These findings suggest that there are communities with unique resources that can be used to generate income. For example, there is much-uncultivated land at Ga-Choene which can be used for forestry as well as farming and

Ga-Makanye community has a lot of sand that can be mined and generate income. Some institutions pull a larger footprint in the municipality.

#### 4.3.1.5.4. *Financial institutions invest in sustainable community initiatives*

The study probe whether financial institutions funds SMMEs in the Municipality in order to determine redistributive development in the municipality. This will assists the researcher in understanding whether the LED unit works together with private stakeholders in implementing LED. The findings of financial institutions invest in sustainable community initiatives are presented below:

Figure 25: Financial institutions invest in sustainable community initiatives

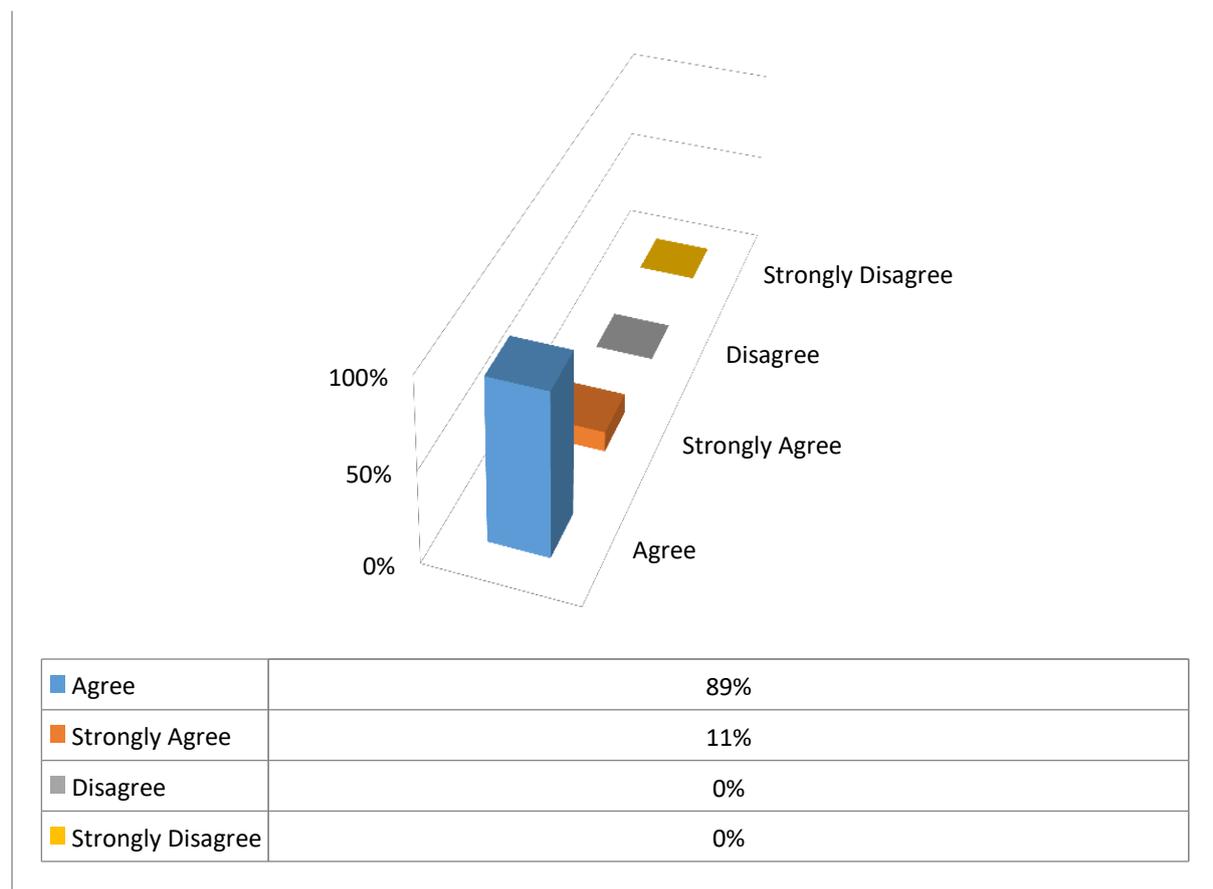


The findings above indicate that majority of participants agree at 50% followed by 25% of participants that strongly agree and disagree respectively. 0% of participants strongly disagree. A small fraction of respondents (25%) strongly disagree that financial institutions invest in sustainable community initiatives. In general, 75% of participants are of the view that financial institutions invest in sustainable community initiatives, while 25% of participants disagree with the notion. The findings suggest that financial institutions redistribute profitable growth to SMMEs. The findings correlate with the assertion that SMMEs in South Africa have access to credit offered by commercial banks (Turner et al. 2008).

4.3.1.5.5. *The economy of Polokwane Local Municipality is likely to grow given opportunities in all economic sectors*

The study probes the probability of economic growth in Polokwane Local Municipality given the opportunities in all sectors of the economy. The growth and development of the economy will improve the standard of living for people in the municipality through job creation. The study probes the probability of economic growth in order to determine whether the LED unit recognises economic opportunities in the municipality. The findings of the economy of Polokwane Local Municipality is likely to grow given opportunities in all economic sectors is presented below

Figure 26: The economy of Polokwane Local Municipality is likely to grow given opportunities in all economic sectors



The figure above indicates that the majority of participants agree at 89%, followed by 11% of participants that strongly agree. 0% of participants either disagree or strongly disagree. In general, 100% of participants are of the opinion that the economy of Polokwane Local Municipality is likely to grow given opportunities in all economic sectors. The results show that the municipality can enjoy economic growth and development if the LED unit can take advantage of economic opportunities. The results

also suggest that the local economy has the potential to grow on condition that the LED unit takes advantage of LED opportunities rooted in complex economic activities of the municipality.

#### **4.3.2. Presentation of questionnaires collected from beneficiaries of LED unit**

370 questionnaires were distributed to beneficiaries of LED. The beneficiaries of LED include the SMMEs and street vendors that are serviced by the LED unit in the municipality. The purpose of collecting data from beneficiaries of LED was to evaluate the effectiveness of the LED unit through the implemented LED initiatives that are enjoyed by the beneficiaries. The impact of LED initiatives in Polokwane Local Municipality determines the extent to which the unit is effective in the execution of its functions. The interpretation and presentation of questionnaires collected from beneficiaries of the LED unit include biographical information and other research questions. The findings are as follow:

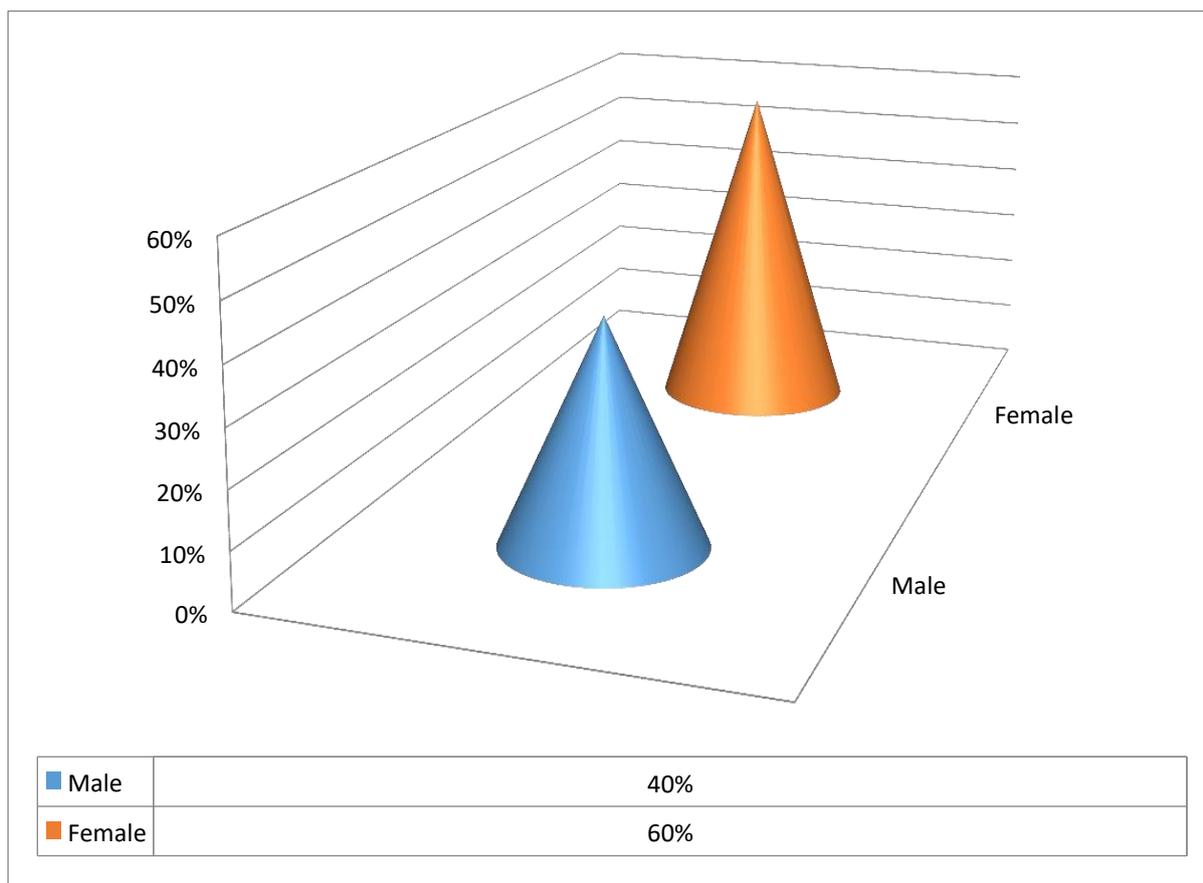
##### *4.3.2.1. Biographical information*

The study investigated gender, marital status, educational status and age group of the respondents in establishing the biographical information of participants. The finding of demographic information is presented as follows:

##### *4.3.2.1.1. Gender of LED beneficiaries*

The socio-economic issues affect every gender in society. Therefore, it is essential to investigate socio-economic experiences and perceptions of all gender. The study investigated the gender of LED unit beneficiaries in order to determine the gender that is mostly active in economic activities, particularly, in entrepreneurship.

Figure 27: Gender of respondents

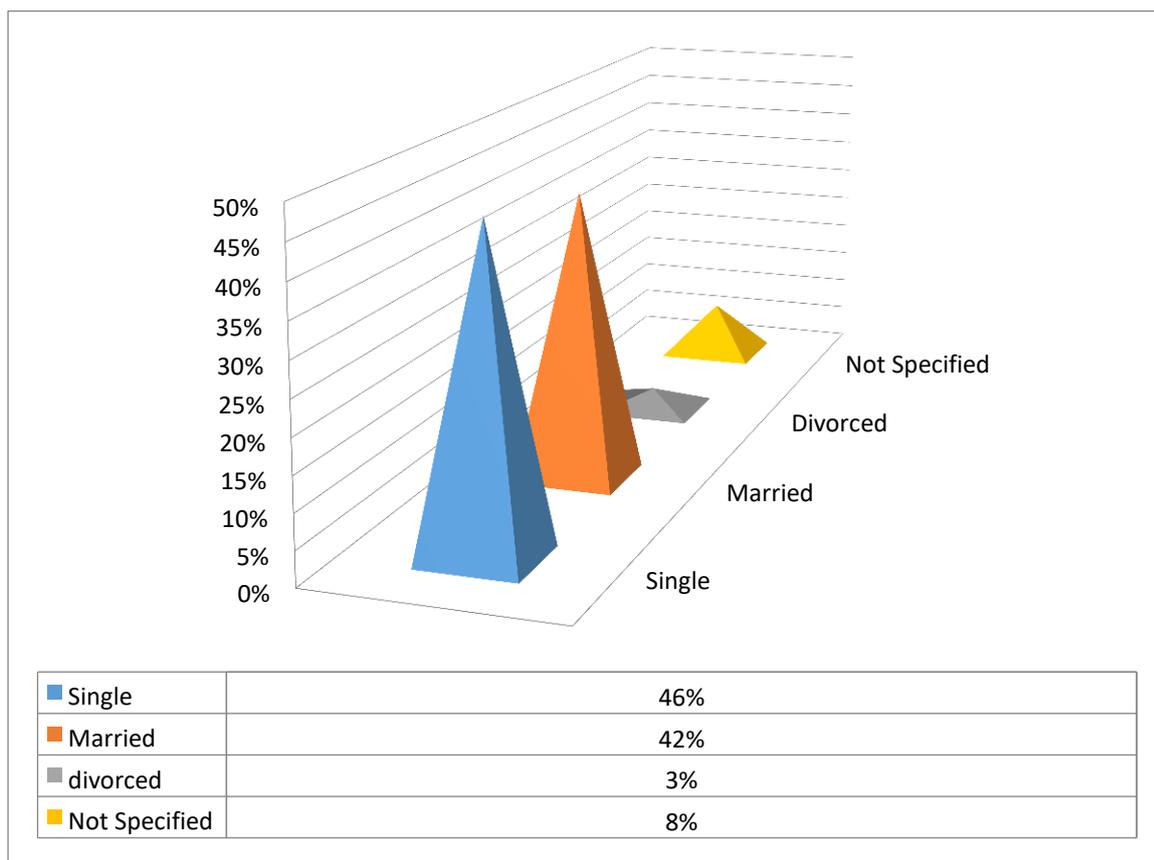


The figure above indicates that there were the majority of female participants with 60% and 40% of male participants. The findings indicate that there are more females participants than males in the study. This confirms the assertion that there are more females in the South African population than men. Population growth in South Africa stands at 25 million and women account for 52% (Census, 2011). The margin suggests 48% of the male population in South African which is less compared to the female margin.

#### 4.3.2.1.2. Marital status of LED beneficiaries

The marital status shows the social and economic stand in the society (Zissimopoulos, Karney & Amy Rauer, 2008). The study investigated the marital status of LED in order to determine the social status of participants. The findings of marital status are as follows:

Figure 28: Marital status of respondents

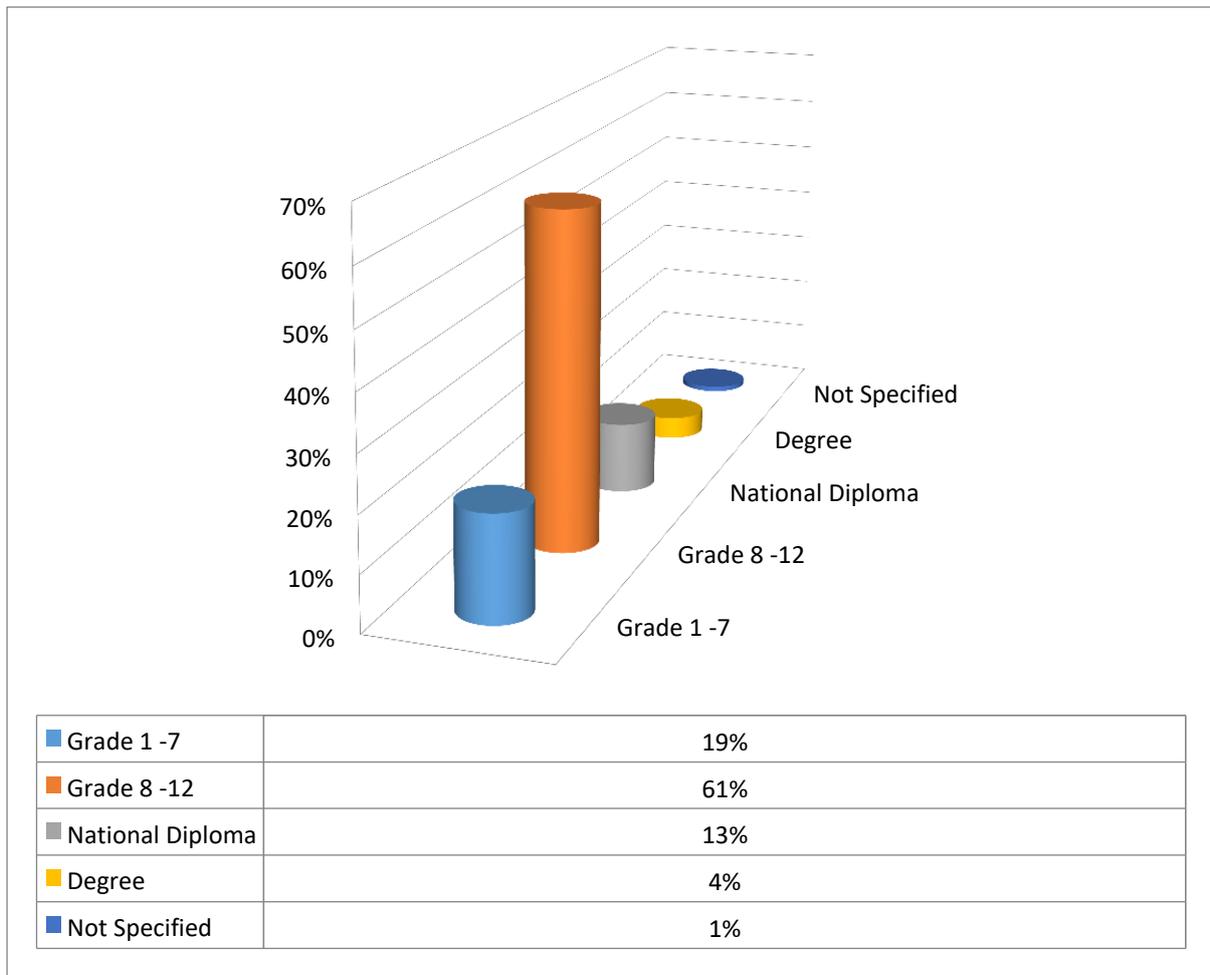


The figure above indicates that the majority of participants are single at 46%, followed by 42% of married participants. Only 3% of participants are divorced, and 8% of participants did not specify their marital status. The findings also suggest that married people have greater family responsibility because they must take care of their children and spouses. This is contrary to the assertion that married individuals have low levels of poverty and high levels of income compared to another marital status (Lin, Brown, & Hammersmith, 2017); (Stimpson, Wilson & Peek, 2012); (Zissimopoulos, Karney & Amy Rauer, 2008); (Lerman, 2002).

#### 4.3.2.1.3. Educational status of LED beneficiaries

Educational status measures the level of education acquired by participants. The education status of participants influences their perception in the society. The study probes educational status in order to determine whether beneficiaries of the LED unit understand Local Economic Development and whether educational status plays a role in lack of employment. The findings of educational status are as follow:

Figure 29: Educational status of respondents



The figure above indicates that the majority of participants have high school education (Grade 8-12) at 61%, followed by primary education (Grade 1-7) at 19%, while 13% of participants have a national diploma. 4% of the participants have a degree and 1% of participants did not specify. The findings indicate that the majority of LED beneficiaries have high school education followed by primary education, while only a few participants have tertiary education.

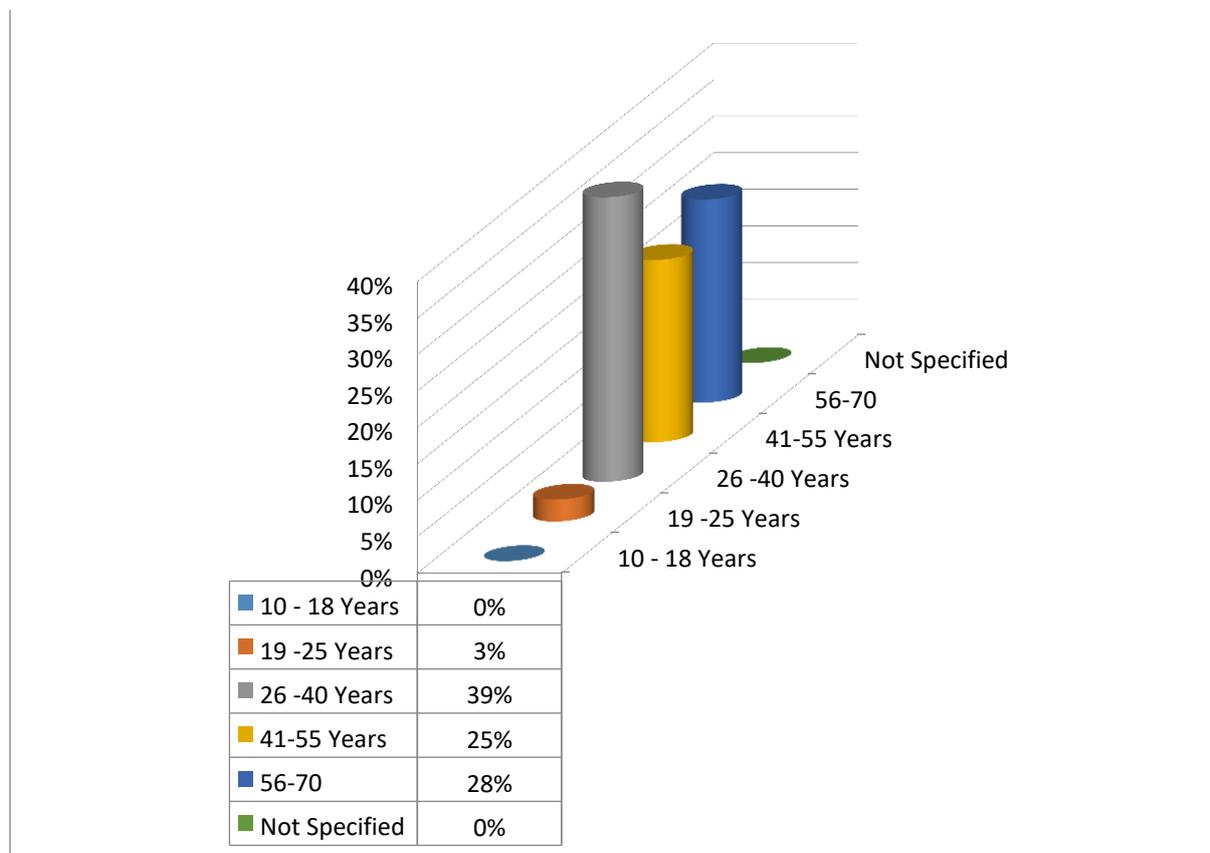
The findings suggest that a low level of education denotes to lack of access to quality education by black people during apartheid. The findings also suggest that people with lower educational status struggle to find job opportunities and those with tertiary education struggle to find employment as the results of job supply scarcity and high employment demand in the South African labour force. This is due to the high number of graduates and limited job supply in the labour markets. South Africa is experiencing weak employment growth and cannot cater to all the graduates who are first-time entry at the labour force (Higher Education & Training, 2016). Hence, most graduates resort to entrepreneurship for social survival. The findings correlate with the assertion that

Limpopo Province is leading in South Africa, with 60.7% of adults living in poverty (Stas SA, 2019).

#### 4.3.2.1.4 Age group of LED beneficiaries

Age group shapes the researcher's perception of demographic trends (D'Albis & Collard, 2013). The study probed the age group in order to determine the age difference that is affected by socio-economic difficulties and to get different views per age group from beneficiaries of LED. The findings of age group are as follow:

Figure 30: Age group of respondents



The figure above indicates that the majority of participants are youth (26 - 40 years) at 39% followed by older age (56 - 70 years) at 28% and adults (41- 55 years) at 25%. Only a few 3% of participants are teenage and minor, while 0% of participants did not specify. The findings indicate that the majority of adults participated in the study. The findings suggest that adults are responsible for the wellbeing of their household, which compels them to become entrepreneurs. It also suggests that this age group faces poverty and a lack of job opportunities. The findings confirm the assertion that older respondents have recorded more significant activity compared to the other age groups

in research (Golomb, Chan, Evans Koperski, White, Ciqui, 2012) due to life experiences compared to the other age groups. The finding suggests that youth unemployment is high and therefore, the youth resort to entrepreneurship. The findings confirm the assertion that the unemployment rate is 29% (Stas SA, 2019). The findings further indicate that pensioners between the age of 65 – 70 years continue to operate their businesses despite the pension income from the government.

#### *4.3.2.2. Understanding the nature of the LED environment*

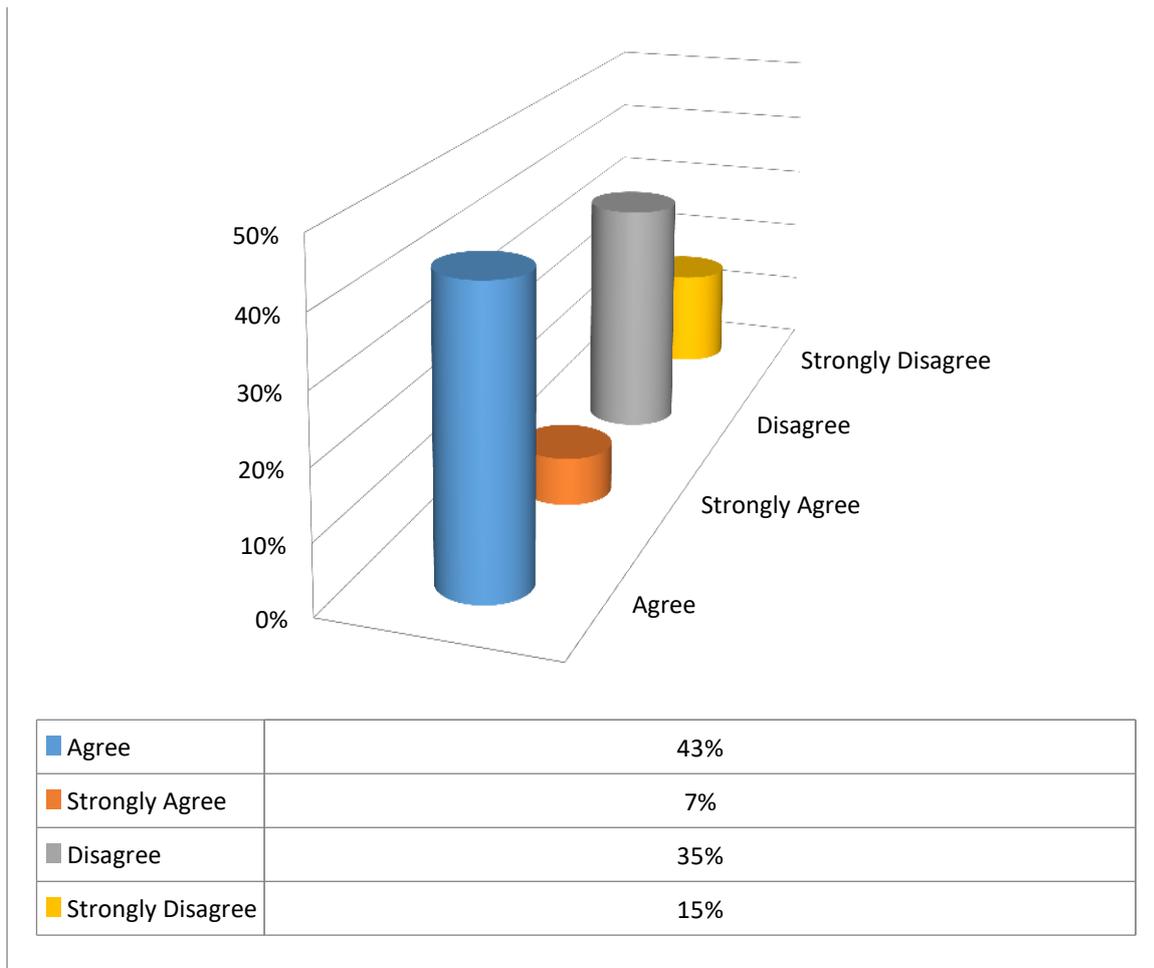
The study probes whether the beneficiaries of the LED unit understand the environment of LED in order to determine whether SMMEs understand the government's economic intervention. The outcomes of the LED unit's initiatives determine the effectiveness of the LED unit. Understanding the nature of the LED environment is probed using the following: I understand the role played by LED unit; I am confident that initiatives taken by LED unit are effective; LED unit encourages community members to make use of local resources and create job opportunities; LED unit sustain its services; I understand the role played by LED unit; I am confident that initiatives taken by LED unit are effective; LED unit encourages community members to make use of local resources and create job opportunities and LED unit sustain its services.

##### *4.3.2.2.1. I understand the role played by the LED unit*

The study investigates whether beneficiaries of LED understand the role of LED unit in order to evaluate the impact of LED unit. Since LED is an outcome-based policy, community members need to be conscious of the role of LED unit in order to enable the LED unit to function. The awareness of LED unit in the municipality will assist the researcher to evaluate the impact of LED initiatives on beneficiaries of LED.

Findings of I understand the role played by the LED unit are presented below:

Figure 31: I understand the role played by LED unit

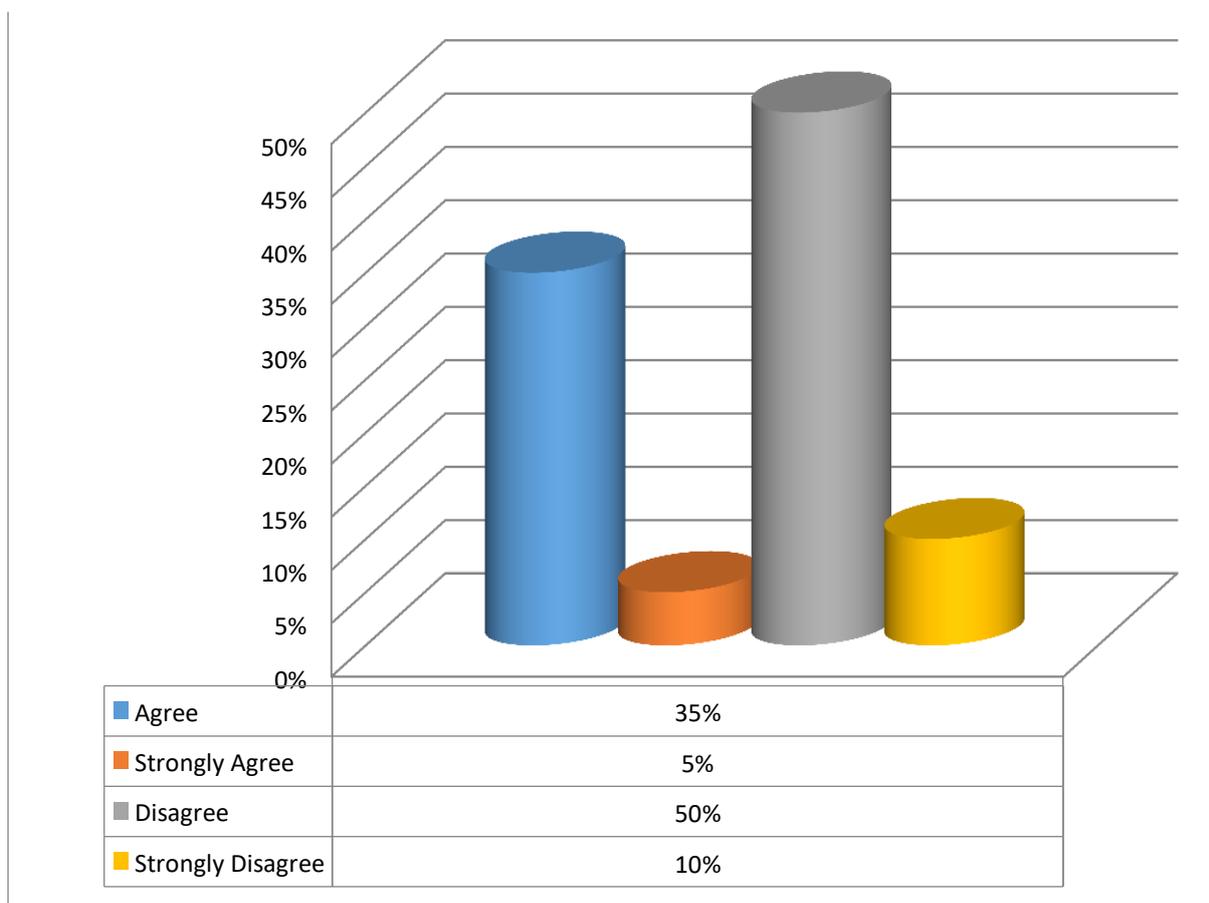


The figure above indicates that the majority of participants agree at 43% and 7% of participants strongly agree. While 35% of participants disagree and 15% of participants strongly agree that they understand the role of the LED unit. In total 50% of participants are of the opinion that they understand the role of LED unit in the municipality. Only 50% of the participants show that they have little understanding of such a role. The results indicate that there is an equal percentage of participant's understanding and lack of understanding such a role. The findings indicate that there are different factors that hinder the dissemination of LED awareness in the Municipality. Masuku, Jili & Selepe (2016) are of the view that the factors that affect the awareness of LED in the Municipality include that the communication breakdown form the Municipality and community members as well as some ward counsellors only disseminate LED information to affiliates of their organisation and leave out the people who affiliated with opposition parties.

#### 4.3.2.2.2. *I am confident that initiatives taken by LED unit are effective*

The initiatives and strategies implemented by the LED unit directly affect the beneficiaries of LED. The implemented initiatives are used as a base for evaluating and assessing the effectiveness of the LED unit in the study. The LED unit initiatives should be grounded on national developmental policies that aim to realise a developed economic state. The study investigates the effectiveness of LED initiatives implemented by LED in order to measure the impact of LED in the local economy. Findings of I am confident that initiatives taken by LED unit are effective are presented below:

Figure 32: I am confident that initiatives taken by LED unit are effective



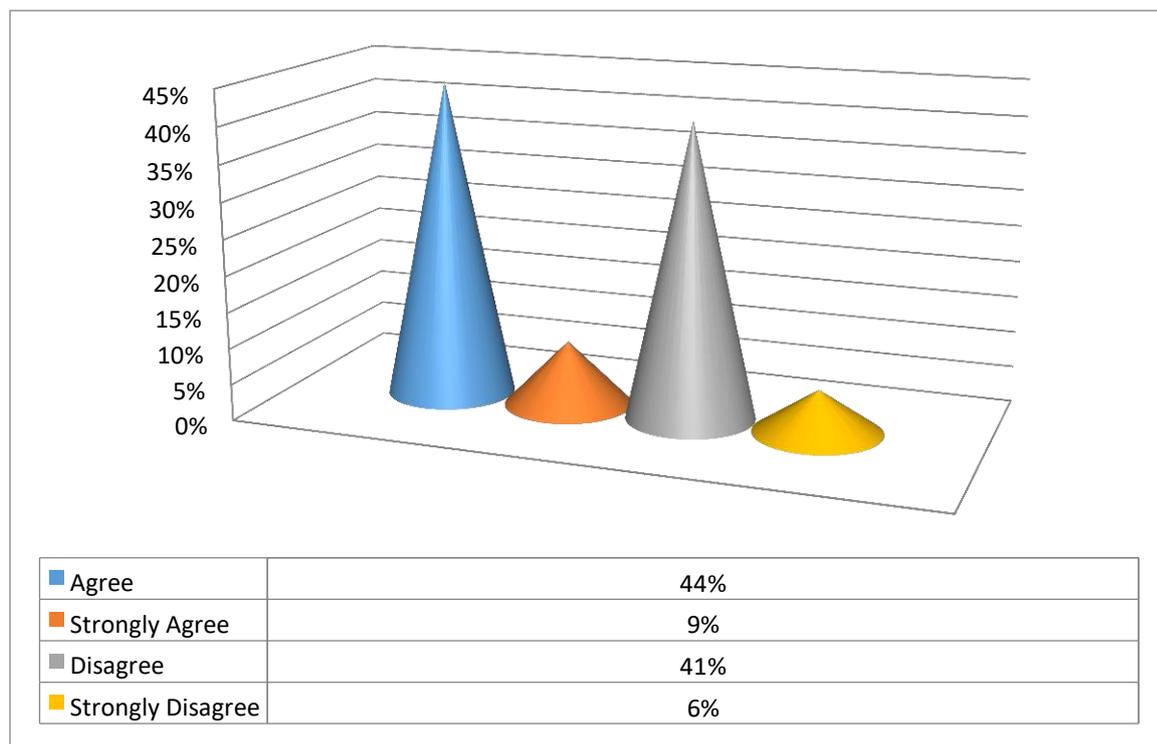
The figure above indicates that 50% of participants disagree followed by 10% of participants who strongly disagree that LED initiatives are effective. 35% of participants agree, while 5% strongly agree that LED initiatives are effective in Polokwane Local Municipality. The findings suggest that 60% of participants are not in agreement that initiatives of LED are effective. A fraction of 40% is of the opinion that LED initiatives are effective. This may suggest that LED unit cannot maintain and

sustain its services. The findings correlate with the assertion that LED initiatives are declining (Masuku, Jili & Selepe, 2016).

*4.3.2.2.3. LED unit encourages community members to make use of local resources and create job opportunities*

Community members form part of LED stakeholders. They work together with the LED unit and the private sector in building the capacity of the local economy. The community members have to part in LED Initiatives in order for LED unit to be effective in job creation. The study investigates whether LED unit encourages community members to generate job opportunities. The findings of the LED unit encourage community members to make use of local resources and create job opportunities are presented below:

Figure 33: LED unit encourages community members to make use of local resources and create job opportunities



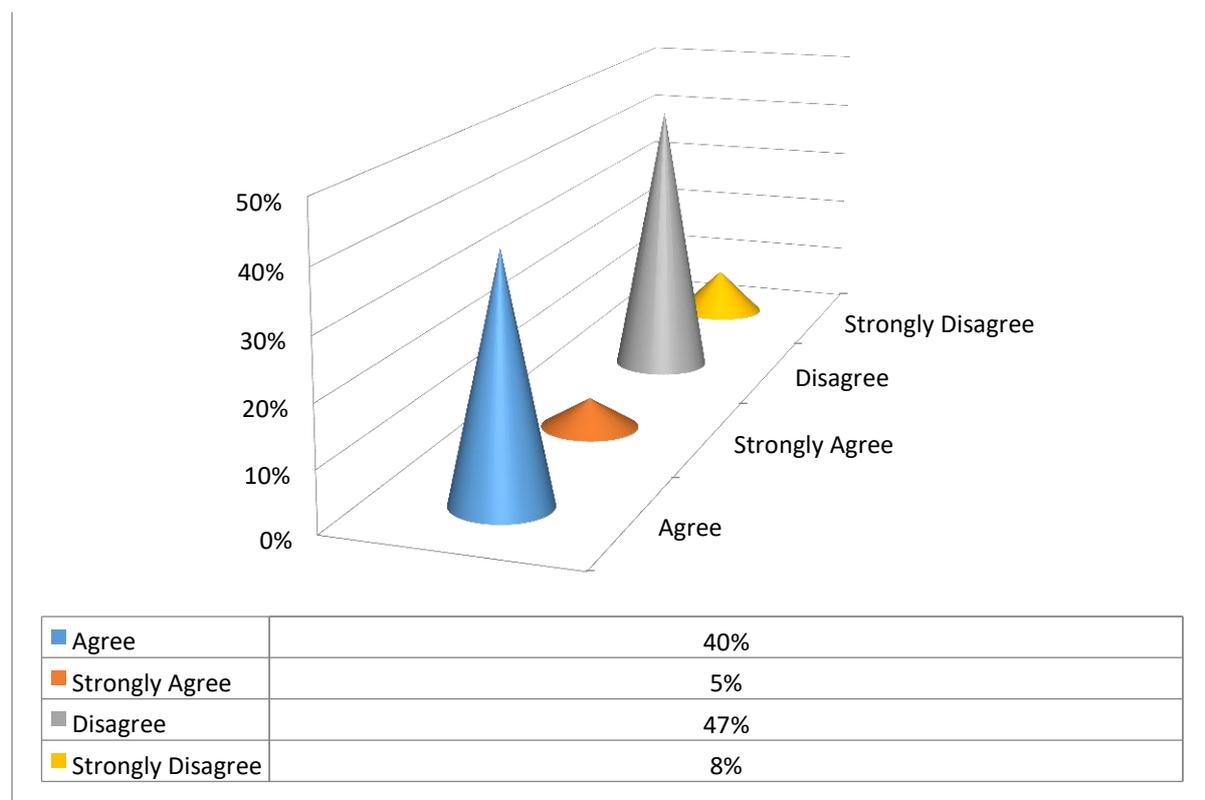
The figure above indicates that the majority of participants agree at 44% followed by 41% of participants that disagree, while 9% of participants strongly agree and 6% of participants strongly disagree that the LED unit encourages community members to use the local resource and generate resources. In total only 53% of the participants are of the opinion that LED unit encourages community members to use local

resources. 47% of participants have a differing viewpoint. The findings may suggest that LED unit ensures awareness of LED in communities, however, not much is done as 47% of participants is of the opinion that LED unit encourages community members to take advantage of local resource and generate income. According to literature municipalities assures activation of local resources through LED (Kamara, Leonard, & Haines, 2017). However, the study findings suggest that LED unit is demonstration inadequate effort in activation of local I resources.

#### 4.3.2.2.4. LED unit sustain its services

The study probes whether the LED sustains its services in order to determine the sustainability of LED initiatives. LED needs to sustain its services. In order to realise its duty to create sustainable job opportunities in the municipality. Non-sustained LED initiatives affect the growth of the local economy. The findings of the LED unit sustain its services is presented below:

Figure 34: LED unit sustain its services



The figure above indicates that the majority of participants at 47% disagree followed by 8% of participants that strongly disagree. 40% of respondents agree and only 5%

strongly agree that LED sustains its services. The findings indicate that majority of LED beneficiaries are of the view that the LED unit does not maintain and sustain its services. In total, the majority of respondents (55%) are of the view that LED does not sustain its services. Only a few participants (45%) are of the view that LED sustains its services. The findings suggest that LED unit provides services to a significant number of people with limited resources. The findings support the assertion that there is lack of service delivery sustainability in South African municipalities (Oosthuizen & Thornhill, 2017).

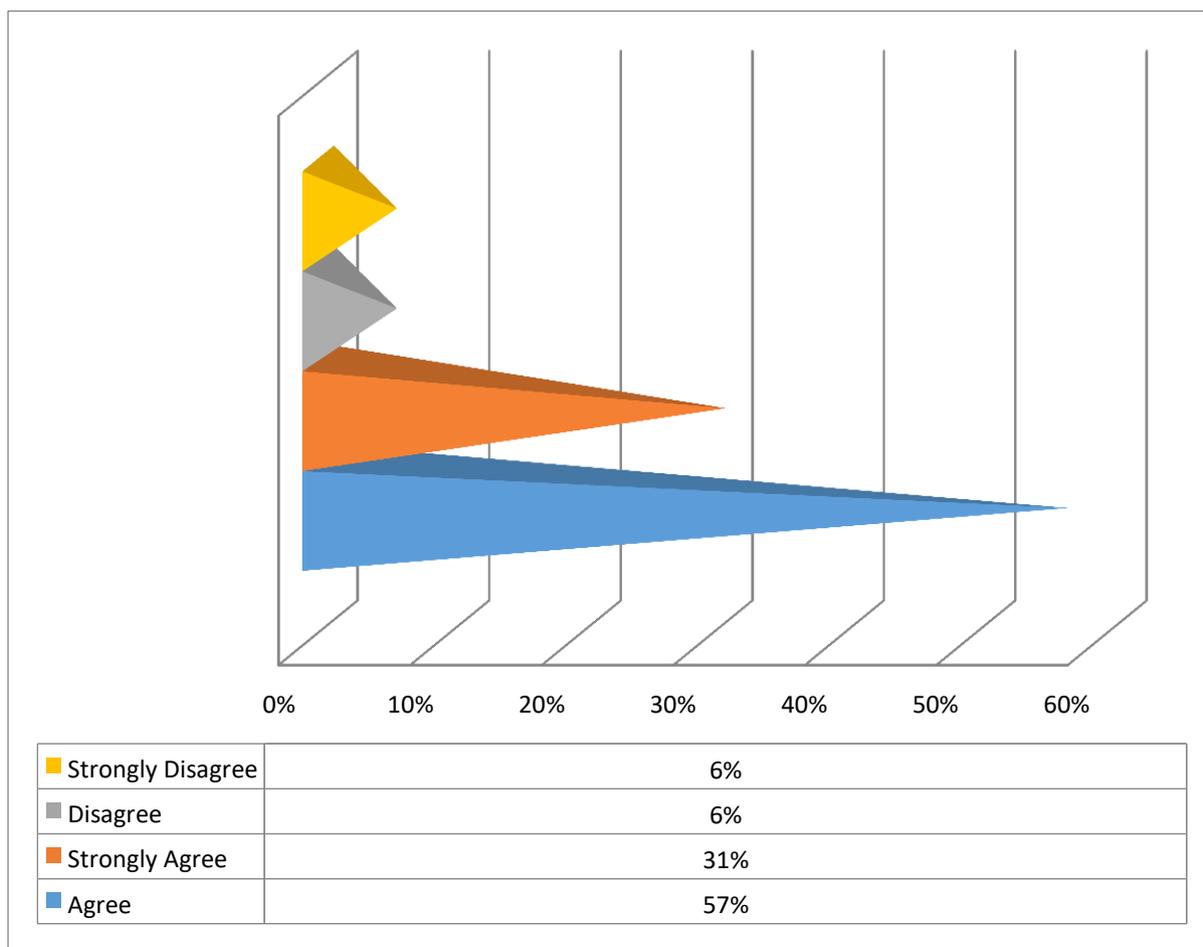
#### *4.3.2.3. Effectiveness of LED unit*

The effectiveness of the LED unit lies in the outcomes of LED initiatives that have been implemented. This section investigates the role played by the LED unit and its impact on the local economy. This section is essential for this study, as it addresses the main objective of the study. The effectiveness of LED is probed using the following: LED unit target previously disadvantaged people when implementing LED; LED unit provide adequate infrastructure; my LED project embodies the objectives of LED (create jobs and alleviate poverty in the community); LED unit facilitates funding for the establishment of SMMEs; LED unit creates industries in the municipality, and there are a number of challenges that LED unit faces when implanting LED.

##### *4.3.2.3.1. LED unit target previously disadvantaged people when implementing LED*

Apartheid left tremendous social and economic imbalance between the black and white South Africans. Consequently, the government introduced the LED as an attempt to address the socio-economic gap. The study probes whether the LED unit target previously disadvantaged individuals when rendering their services in order to determine whether the LED unit fulfils the national agenda of inclusive economic growth and development. The findings of the LED unit target previously disadvantaged people when implementing LED are presented below:

Figure 35: LED unit target previously disadvantaged people when implementing LED

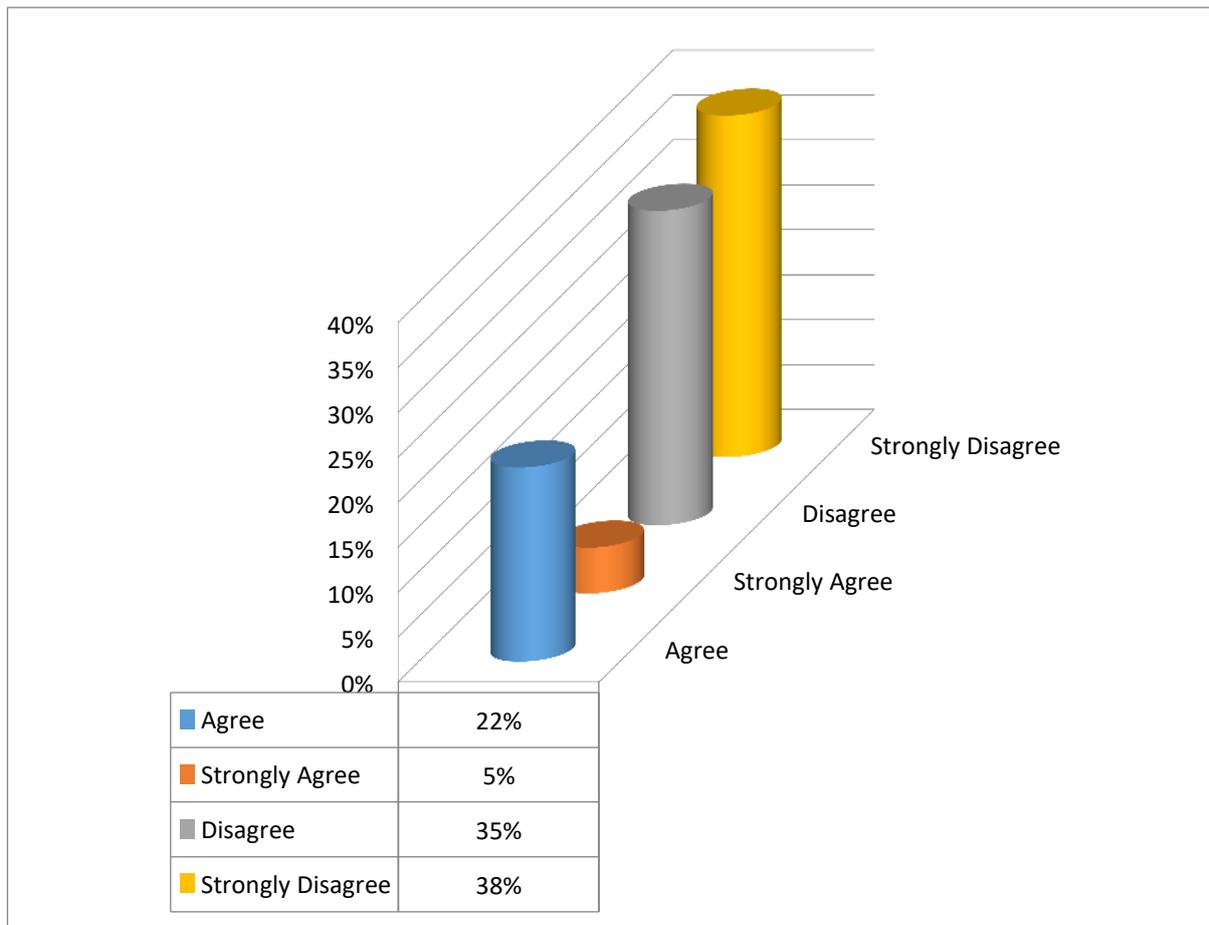


The figure above indicates that the majority of participants with 57% agree followed by 31% of participants that strongly agree, while 6% of participants disagree and 6% of participants strongly disagree that the LED unit target previously disadvantaged people. In total, the results show that 88% of the respondents are of the view that the LED unit in the municipality targets the previously disadvantaged. Only a small fraction of 12% holds a different viewpoint. The study suggests that LED unit assists the majority of black people who were previously excluded in the economic activities of the country. The findings suggest that the majority of Polokwane Local Municipality's population are black people who get assisted by LED unit. The 12% of respondents are negative that LED unit assist previously disadvantaged people. These results suggest that individuals with better financial means are advantaged when services are provided in LED. The findings supports the assertion that government in South Africa is determined to improve the level of services provided to previously disadvantaged communities through segregation policies (Chikulo, 2016).

#### 4.3.2.3.2. LED unit provide adequate infrastructure

Infrastructure enables smooth economic development. The provision of electricity, water, hawkers' stalls, railways, airport and structures assist the beneficiaries of LED to operate efficiently and effectively. Infrastructure also attracts investment in the locality. The study probes whether the LED unit provides adequate infrastructure in its quest for local economic development and growth. The findings of the LED unit provide adequate infrastructure is presented below:

Figure 36: LED unit provide adequate infrastructure

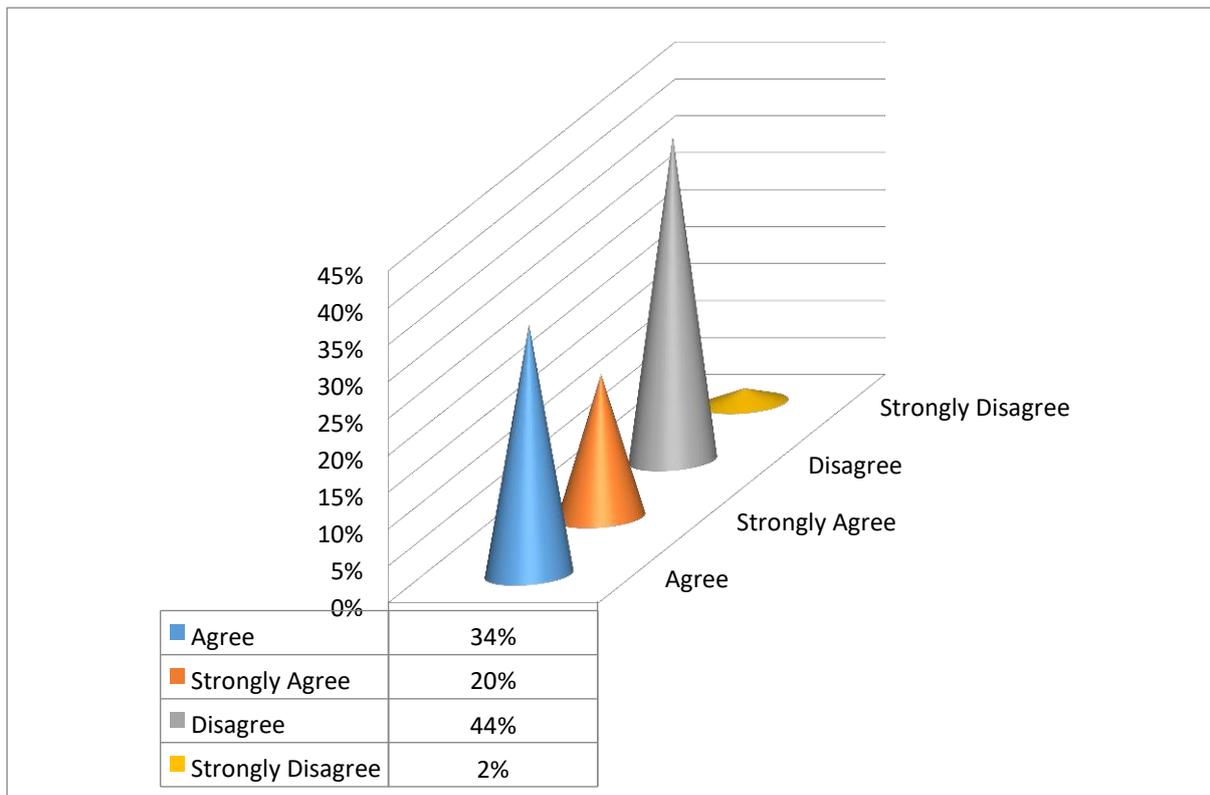


The figure above indicates that the majority of participants strongly disagree at 38% followed by 35% of participants that strongly disagree. 22% of participants agree and only 5% of participants strongly agree that LED unit provides the adequate infrastructure needed for economic development. In total, the study shows that 73% of participants are of the view that LED unit provides the inadequate infrastructure needed for economic development. Only 27% of the participants have a different viewpoint. The findings suggest there is an insufficient provision of infrastructure for the implementation of LED such as street hawker's stalls. The finding support the assertion that there is infrastructure backlogs in South Africa (Lombard, Behrens & Viruly, 2017).

4.3.2.3.3. *My LED project embodies the objectives of LED (creates jobs and alleviate poverty in the community)*

LED unit exists to address socio-economic issues; hence the fruitfulness and effectiveness of LED are reflected in the ability of its beneficiaries to create job opportunities in the municipality. The study probes whether the beneficiaries of LED can create job opportunities in order to determine the effectiveness of LED. The findings of My LED project embody the objectives of LED (create jobs and alleviate poverty in the community) is presented below:

Figure 37: My LED project embodies the objectives of LED (create jobs and alleviate poverty in the community)



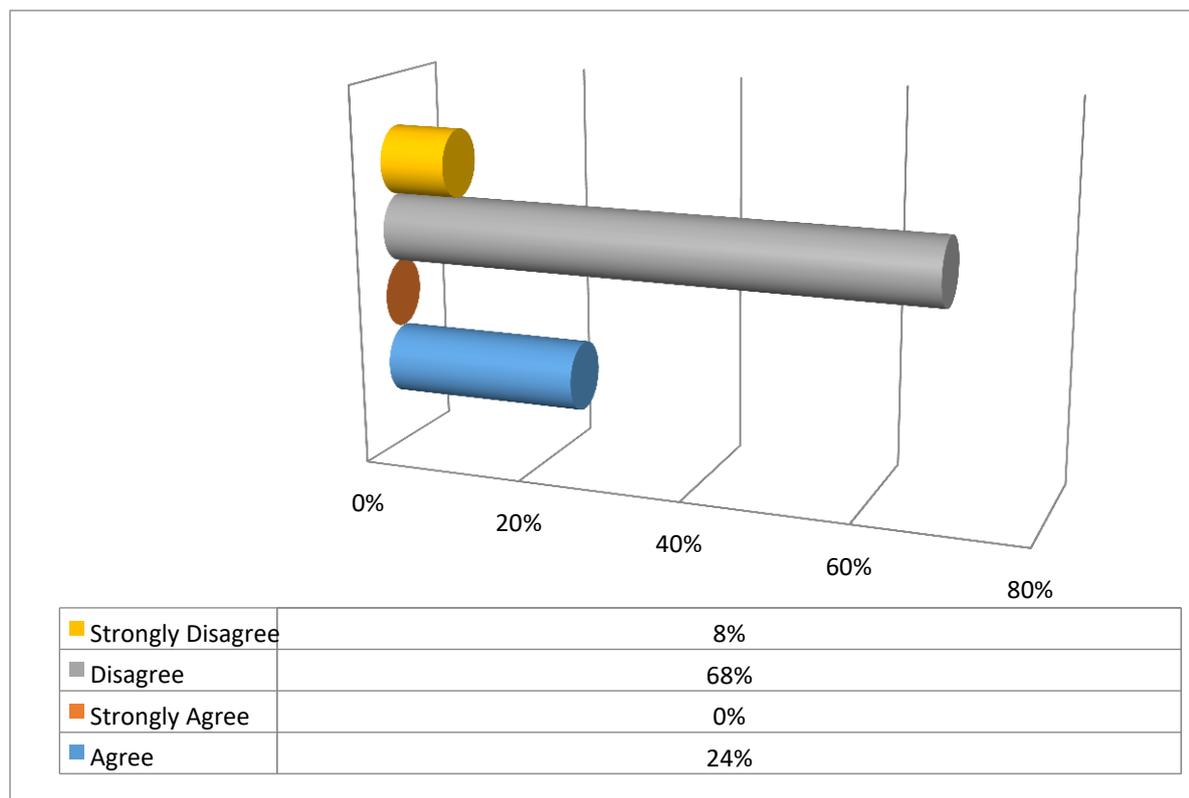
The figure above indicates that the majority of participants at 44% disagree and 2% of participants strongly disagree. 34% of participants agree and 20% of participants strongly agree that their businesses create job opportunities. In total, the study suggests that the majority of participants (54%) are of the view that their project embodies LED objectives. Only a small fraction of 46% hold a different view. The findings suggest that 54% of LED beneficiaries create jobs in their businesses, while

46% of LED beneficiaries do not create job opportunities. The findings suggest that the rate of beneficiaries that create job opportunities is not satisfactory given the time frame in which LED was adopted. The findings correlate with the assertion that the impact of LED initiatives on job opportunities is declining (Masuku, Jili & Selepe, 2016).

#### 4.3.2.3.4. LED unit facilitates funding for the establishment of SMMEs

The success of SMMEs correlates with financial support provided by the public and private sector (Rungani & Potgieter, 2018). The study probes whether LED facilitates funding for SMMEs in order to determine whether the Unit plays its role in stimulating SMMEs. The findings of the LED unit facilitate funding for the establishment of SMMEs is presented below:

Figure 38: LED unit facilitate funding for the establishment of SMMEs



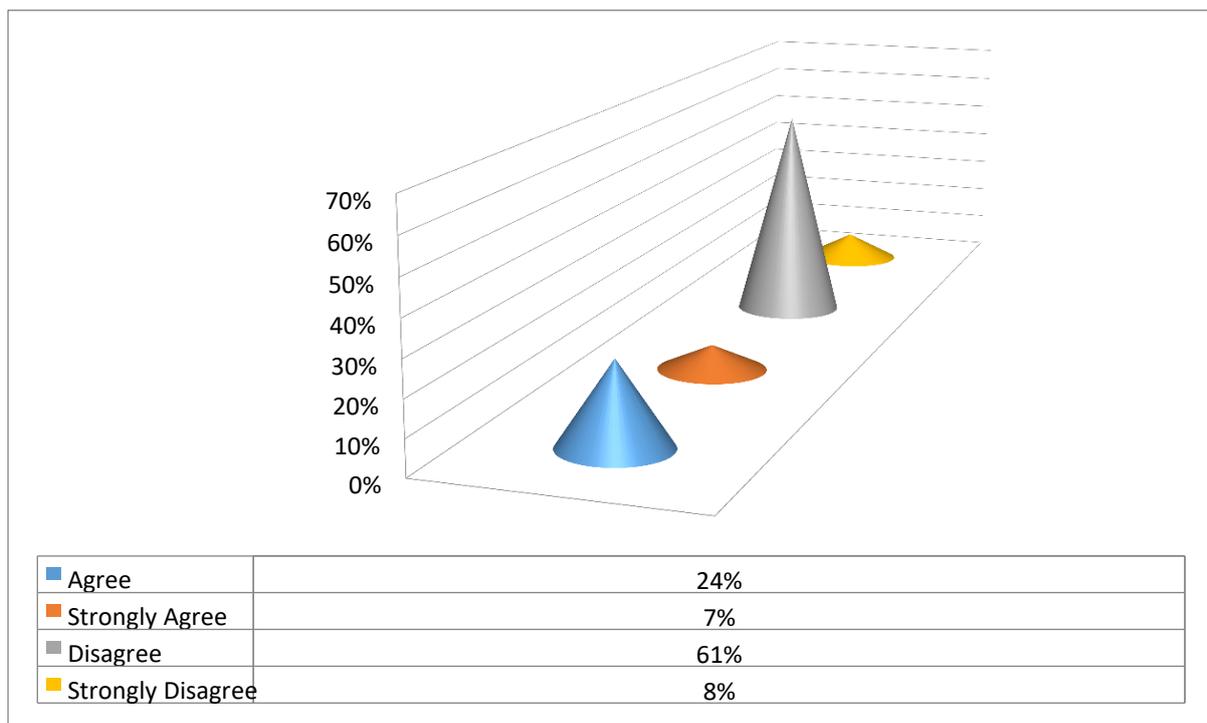
The figure above shows that the majority of participants at 68% disagree followed by 8% of participants that strongly disagree. 24% of participants agree and 0% of participants strongly agree that LED unit facilitates funding for the establishment of SMMEs. In total, the majority of participants (76%) are of the view that LED does not facilitate funding for the establishment of SMMEs. Only a small fraction of 24% hold

different views. The findings is supported by the assertion that SMMEs funding is inaccessible in Limpopo Province (Ladzani & Netswera, 2009).

#### 4.3.2.3.5. LED unit creates industries in the municipality

There are numerous economic benefits to creating industries. Industrial development creates vast job opportunities for both skilled and unskilled individuals. Industries played an essential role in the development of the economy of Asian countries like the Republic of Korea and China. The study, therefore, probes whether the municipality initiates industrial development in its quest to create job opportunities and improve the standard of living for all. The finding of industries development in the municipality is presented in the figure below:

Figure 39: LED unit creates industries in the municipality



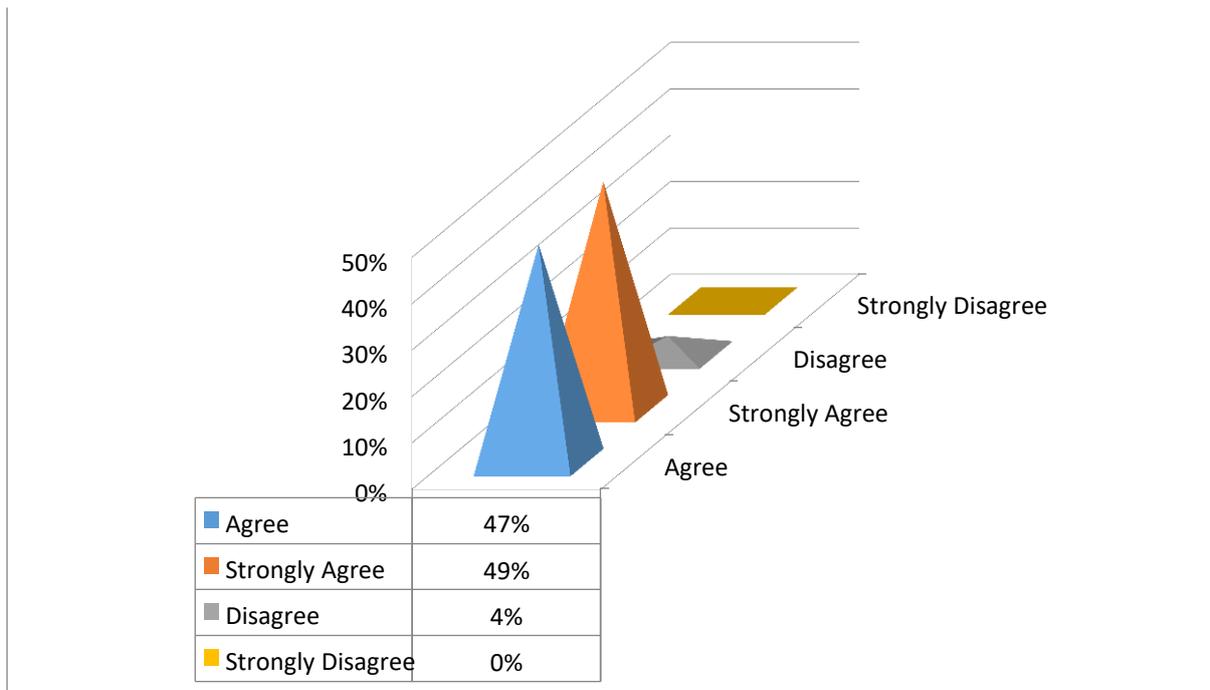
The figure above indicates that the majority of participants at 61% disagree followed by 8% of participant strongly disagree. 24% of participants agree and 7% strongly agree that there LED unit creates industries in the municipality. The overall perception here is that 69% of the respondents are of the view that the LED unit is not able to create industries in the municipality. Only a small fraction of 3% hold different views. The findings suggest that Polokwane Local Municipality lacks the agenda of industrial development in its LED plans, thus, it progresses slowly in socio-economic

transformation. The finding is supported by the assertion that manufacturing records a fraction of 0.46% on the national GDP (City of Polokwane, 2020).

4.3.2.3.6. *There are a number of challenges that the LED unit faces when implementing LED*

Low economic growth in South Africa suggests that there is a hindrance to the implementation process of LED. This is reflected by high unemployment and poverty rate despite the implementation of LED in South African municipalities. The study investigates whether LED unit is confronted with challenges when implementing LED in Polokwane Local Municipality in order to evaluate the effectiveness of LED unit. The findings of challenges that LED unit faces when implantiing LED is presented below:

Figure 40: There are a number of challenges that the LED unit faces when implementing LED



The figure above indicates that the majority of participants strongly agree with 49% followed by 47% of participants who agree. Only 4% of participants are disagreeing that there are challenges in the implementation of LED. In total, 96% of participants are of the view that the LED unit encounters challenges when implementing LED and only 4% holds a different view. This is supported by the assertion that there are numerous bottlenecks in the implementation process of LED in local government (Meyer, 2014).

## **5.4. DATA COLLECTED THROUGH INTERVIEWS**

Face to face interviews was conducted with the Director and Assistant Manager in Economic Planning and Development division. The study targeted the following respondents in interviews: Municipal Manager, Director in Economic Development Planning; Local Economic Development Unit Manager, and the Chief Financial Officer of Polokwane Local Municipality. The Municipal Manager, Chief Financial Officer and Manager in Local Economic Development were not available for interviews session due to swamped work schedules. Manager in Local Economic Development Unit delegated Assistant Manager in Economic Planning and Development to represents her in the study's interviews.

The unavailability of targeted respondents contributes to the limitation of the study. The data collected through interviews which supplement data collected through questionnaires assisted the study to get in-depth information that could not be obtained through questionnaires. The senior officials in the LED unit were purposefully selected in order to provide their role in the implementation of LED thoroughly; the nature and role of LED unit in improving local economies; impact of LED unit in the local economy; the initiatives were taken to improve local economies and its effectiveness; perceived LED unit challenges; opportunities of LED in the municipality. The findings of the interviews are as follows:

### **4.4.1. Role of LED officials in the implementation of LED**

The interviewees were asked of the role they play in LED unit; one respondent stated that his office links economic development with other units like planning while the other stated that his office conduct research on the state of the economy in the municipality and develop measures to intervene based on the research findings. They all stated that they develop and implement economic development policies. They also indicated that they provide leadership in the formulation of LED strategies such as manufacturing, tourism and agriculture development plan as well as formulating spatial economic frameworks. Based on the findings above the respondents appear to be knowledgeable of LED and what is expected from their respective offices in the municipality.

#### **4.4.2. The nature and role of LED unit in improving local economies**

The interviewees were asked of the nature and role of the LED unit in improving local economies and if the LED unit plays its anticipated role. One respondent stated that his offices integrate LED, Planning, GIS/Property and Housing into one with other municipal programmes such as Engineering Directorate which intertwines with LED programmes. Both the respondents stated that there are existing organs of the LED unit, namely, investment promotion and tourism, enterprise development, trade, and licensing. They both explained that each arm has its strategies in place to stimulate economic growth and development. The response above suggests that there is a fully fleshed Local Economic Development division in Polokwane Local Municipality that is meant to improve the local economy as both formal and informal business are considered when designing economic policies.

#### **4.4.3. The effectiveness of LED initiatives taken to improve local economies in Polokwane Local Municipality**

The respondents were asked whether there are any existing LED initiatives taken to improve local economies and their effectiveness. One respondent stated that "*there is always a room for continuous improvement in LED, one cannot say they have achieved*". Contrary to his assertion, the other respondent stated that LED unit is effective. They both stated that the current initiatives are under review and stated the following initiatives:

##### **a) Enterprise Development**

Enterprise development provides support to small businesses and micro-enterprise. The support is provided through capacity building such as workshop training in line with business development and marketing. It also provides incubation of small businesses that just started operation and provide subsidised infrastructure in which building is rented at a lesser value than the market value. The enterprise development links to various markets and form exhibition on a provincial, national and international level such as France as a way of unlocking the markets. Enterprise development also helps in terms of business plans, company registration, tax compliance and banking.

## **b) Tourism Association**

LED unit works together with the Polokwane Tourism Association which consists of hotels, bed and breakfast outlines, lodges and restaurants, among other things. The municipality provides support to the association. Support as a way of ensuring growth, attract tourists in Polokwane through festivals such as Mapungubwe festivals.

## **c) Investment Promotion**

Municipality works together with external stakeholders and establishes investment promotion projects such as shopping centres, filling stations and hotels.

## **d) Informal Trading**

The municipality issue permits to sell in the street and to operate tuckshops. There are about 900 street vendors with permits; however, there are illegal traders. The municipality provides the beneficiaries with business-related training, particularly training on the things they sell such as hygiene and safety measures, how to get cash right and how to stock. The business centre has structures for support such as Mankweng hospital, University of Limpopo business District and Noble hospital.

The findings above indicate that there are several initiatives adopted as an attempt to improve local economic development. However, the said initiatives seem to favour the minority and not the majority of individuals in the municipality. This is demonstrated by figure 33 above in which 60% of LED beneficiaries disagree that initiatives taken by LED unit are effective, and 40% agree that the initiatives of LED. Moreover, the findings above suggest that there are existing LED initiatives in the LED unit however such initiatives do not cater to all the community members in the municipality. This is demonstrated by figure 32 above in which half (50%) of the participants understand the role of the LED unit and the other half of participants do not understand the role of the LED unit in improving the local economy.

### **4.4.4. Challenges encountered by LED unit in Polokwane Local Municipality**

The respondents were asked of any perceived challenges in LED unit, and they elaborated on a number of challenges that hinders the implementation of LED. One respondent stated that there is a lack of skills and innovation in the LED unit. He further

stated that is a lack of infrastructure and some of the lands are owned by the traditional authority in the municipality. The other respondent stated that there is often no synergy in some of the municipal projects and LED unit. He stated that some projects are not in the scope of the LED unit and yet are deployed to LED unit for implementation.

He also indicated that there is a lack of resources, particularly funding that hinders the maximum impact of LED objectives. The respondent further stated that communities in the municipality are led by politicians who often intervene with the implementation of LED. These findings correlate with the views of LED beneficiaries as demonstrated in figure 41 above wherein 47% of LED beneficiaries participants agree, and 49% strongly agree that there are a number of challenges that LED unit encounters when implementing LED unit. Only 4% of LED beneficiaries participants feel that there are no perceived challenges.

#### **4.4.5. Opportunities for LED in the municipality**

The respondents were asked of the perceived opportunities of LED in the local economy, and they all gave several economic opportunities that the LED unit can use to reform and rethink the current policies of economic development. They all stated that there are the following opportunities:

- Logistics industry has given that Polokwane is a city that connects Gauteng and Zimbabwe which has the busiest truck on the national and local roads.
- There are only a few manufacturing companies in Polokwane; therefore, there is an opportunity for Industrial park development.
- There are many tourist attractions facilities in the municipality.
- Development of a new town in some parts of the municipality. For instance, building a new mall at Ga-Choene and Dalmada.
- Agricultural development, particularly agro-processing.
- Liquor licensing.

The findings above are supported by figures 22 and 23 above. Figure 22 demonstrate that 100% of the respondents in the LED unit agree that economic activities are diversified in the municipality and figure 23 demonstrate that 100% of the respondents in the LED unit agree that opportunities of LED lie in all economic sectors. Moreover,

figure 26 above correlates with the findings above in which the participants in LED unit at 89% strongly agree, and 11% agree that the local economy can likely grow given the opportunities stated above. Indeed, there are vast economic activities that LED unit can refer to when designing LED policies in the municipality.

#### **4.5. CONCLUSION**

This chapter presented, analysed and interpreted the study's findings. The analysis of the study is based on the data collected from Polokwane Local Municipality through questionnaires and interviews. Questionnaires were distributed to LED unit officials and beneficiaries of LED. Interviews were conducted with the Director and Assistant Director in Economic Planning and Development in the municipality. The following chapter provides the summary, recommendation and conclusion drawn from the study.

## **CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSION**

### **5.1. INTRODUCTION**

The summary, recommendation and conclusion of the study are discussed in this chapter. The summary of the study entails the brief outline of each chapter in the study. Recommendation of how the LED unit can enhance and improve effectiveness in fulfilling its mandate is discussed in this chapter. Lastly, the conclusion of the study is also discussed in this chapter. The recommendation and conclusion of the study are based on the findings of the study.

### **5.2. SUMMARY**

The study aimed at investigating the effectiveness of LED unit in improving local economies in South Africa and used the Polokwane Local Municipality in Limpopo Province as its case study. The aim was achieved by addressing the objectives of the study and answering the research questions raised by this study. The objectives are as follows: To examine the nature and role of LED unit in South African Municipalities; to evaluate the effectiveness of LED initiatives taken to improve local economies in Polokwane Local Municipality; to identify and investigate challenges encountered by LED unit in Polokwane Local Municipality and to identify opportunities of LED unit in Polokwane Local Municipality. The research study has six chapters, as follows:

**Chapter one:** This chapter discusses the introduction and background; problem statement; aim; objectives; research questions; research design and methodology of the study. This chapter is important as it serves as a foundation of the study and outlines why the study was necessary. This chapter discusses the need for the study and how the study was carried out. Moreover, this chapter serves as the framework guideline in which the study is undertaken and thus gives the reader the direction of the study.

**Chapter two:** This section has two sections in which one section discusses literature review and other section discusses theoretical framework. The first section of this chapter reviewed the existing literature on the research questions of the study. It discussed the nature, role, challenges and opportunities of LED in South African municipalities. This chapter addresses the research question of the study by reviewing the literature concerning the objectives of the study. In this section, the researcher provides the

reader with a detailed outline of the study's objectives. This section is important as it answers the research question raised in the study.

The second section in this chapter discussed the theory of which the study is based. LED initiatives need to mitigate unemployment and poverty in large quantities. The study therefore, employed the Location Theory that outlines land use that will contribute to maximising the rate of creating job opportunities and the mitigating unemployment rate in the municipality. The Location Theory predicts optimal location choice by analysing economic activities in an area. Von Thunen's model provide an optimal location choice for farms in which he analyses land patterns, rent and transport cost. He consider land rent and transport cost as variables that determine land use pattern in local economy. Weber's model provide an optimal location choice for firms in industries in which he concludes that transport and labour cost determine an optimal location choice. He analyses raw materials that firms use as independent variable and transport as well as labour as dependable variables in the decision making process of location choice.

The models can be adopted by LED unit as a tool to stimulate economic growth in the municipality as agriculture and industries generate sustainable job at a larger scale. Moreover, the theory boosts the firm's revenue and cuts expenditure. Such income can be used for generating more job opportunities. This chapter provides a spatial distribution framework that can be employed to stimulate economic activities. LED unit requires a spatial framework that will embody the objective of the LED unit.

**Chapter three:** This chapter addresses the research design and methodology that guided the data collection process and analysis of collected data. It is an implementation of research design and methodology that guides the construction of the study. The study employed both qualitative and quantitative research methodologies. The study, therefore, employed both questionnaires and interviews approach to collect data in order to obtain generic views and personalised, in-depth view of the research questions. The study found that LED unit in the Polokwane Local Municipality is not effective as there only a fraction of its beneficiaries that can create job opportunities and the majority of the participates are of the view that there are numerous challenges that hinder the maximum impact of LED in the municipality.

**Chapter four:** The chapter discussed research findings, data analysis and interpretation of results that have been collected from Polokwane Local Municipality in Limpopo Province. The study employed Microsoft Excel 2010 software to analyse questionnaires and thematic analysis to interpret interviews. The study found that the initiatives of LED are not effective as there are few beneficiaries that can create job opportunities. The study further found that there are number of challenges and opportunities for LED in the municipality. The study concludes that the LED unit is not effective in the implementation of LED. The study suggests that the role and initiatives of the LED unit are sound on the paper, however, lack maximum impact in the economy.

**Chapter five:** The chapter discusses the summary, recommendation and conclusion of the study. The summary of the study briefly outlines each chapter of the study and gives the direction of the study. The recommendation of the study is based on the findings of the study that was obtained by answering the research question of the study. The recommendation seeks to provide light and resolutions to challenges encountered by LED unit. The recommendation of the study aims to enhance the effectiveness of the LED unit in South African municipalities.

### **5.3. RECOMMENDATIONS**

The study recommends measures that can improve the effectiveness of LED in the Polokwane Local Municipality. The findings of the research questions of the study inform the recommendation of the study. The recommendations are outlined below:

#### **5.3.1. LED awareness**

The study findings reveals that there are 50% of participants (LED beneficiaries) are knowledgeable of the LED unit and its role. It further shows that there are also 50% of participants who are not knowledgeable of LED unit and its roles. The purpose of LED is to ensure inclusive economic growth in South Africa. LED is meant to improve the quality of life for all. The fundamental aspect of LED is the active participation of people in local areas. It is therefore essential for all people in local areas to be conscious of LED initiatives in order to have higher rates of job creation in each locality. LED unit needs to engage all stakeholders of LED in the planning processes

of LED so that it can successfully implement LED in the municipality. All the people are supposed to work together in promoting a sustainable local economy.

People will not respond and act towards LED initiatives if they do not have any knowledge of such initiatives. This results in a limited impact of LED as only a few people know and respond to the initiatives. Action and response to LED initiatives from community members will enforce the maximum impact of LED in local areas. The LED unit does not ensure the maximum awareness of LED in the municipality. The study, therefore, recommends that the LED unit should establish LED awareness that will educate and inform community members of LED. LED awareness will be beneficial to both LED unit and community members as they will each play their role and ultimately achieve the maximum impact of LED initiatives. The LED unit needs to establish LED Lekgotla in the communities within the municipality which will contagious community members as well as corporations about LED.

The LED lekgotla will enable LED unit to design economic initiatives that are fit for each community's needs. The LED lekgotla will also eliminate the interference of political leaders in communities as community members will be aware of the benefits of LED initiatives. The LED Lekgotla will attract maximum community support for inclusive economic agenda. The LED unit can make use of LED Lekgotla as a tool to encourage and assist community members to identify as well as make use of local resources to create job opportunities. The LED Lekgotla can be used as a platform that connects all the stakeholders of LED and promotes LED in the municipality.

### **5.3.2. Regulation of informal trading**

The study finding reveals that majority of participants (LED beneficiaries) at 60% are of the view that LED initiatives are not effective and figure 35 shows that 55% of respondents are of the view that the LED unit does not sustain its services. Informal trading plays a huge part in the generation of income for less-skilled and educated people in the country. Poor individuals use informal trading as a means to escape poverty and sustain their livelihood. The LED unit issues trade permits to informal traders in the municipality as part of its LED initiatives, however, this particular initiative is not effective and is not sustained. Majority of street vendors operate without trading permits and very few individuals have and pay for their permits

monthly. Issuing of permits has ceased however very often municipal authorities check if all traders on the street have trading permits and failure to produce trading permits by street vendors they confiscate trading stock of individuals. There is a fee for such confiscated goods to be released. Moreover, there are a lot of foreign street vendors who do not pay for trading permits like other South African street vendors. There are streets, particularly, rissik street where there are only foreign traders who do not have permits. Foreign traders often sell illegal substances in the street of the Central Business District without consequences.

In light of the above mentioned, the study, therefore, recommends that the LED unit needs to have adequate measures to regulate informal trading that is inclusive of foreign traders. The regulation of informal trading will afford every community member to trade in the municipality and every community member has the opportunity to escape poverty conditions. The LED unit should design informal trading measures that are inclusive and ensure maximum alleviation of poverty in the municipality. The study therefore, recommends the following measure to regulate informal trading:

**a) Establishment of trading committee**

The establishment of an informal trading committee will strengthen the effectiveness and sustainability of the LED unit as elected committee members will communicate constraints of informal traders at the earliest convenience to the LED unit. The committee members are will also assist the LED unit in monitoring the monthly payment fee of permits and the issuing of trading permits. This will ensure that every individual including foreign traders pay for a trading permit fees. The trading committee could organise bulk buying in order to save more and ultimately generate more jobs. Moreover, the committees can serve as an advocating body for street vendors. They will be able to ensure the training that is supposed to be offered by LED unit. The LED unit will be able to consult with committee members on how to sustain and LED initiatives that are effective initiatives. This will contribute to the effectiveness of curbing unemployment and the creation of job opportunities in the municipality.

## **b) Training of informal traders**

One of the interviewees in the study stated that the LED unit provides training for informal trading on how to run a business and provide hygiene training. However, this is not practised. The study therefore, recommends that the LED unit provides training for small businesses particularly those that generate job opportunities in business centres. The training of informal traders will enable the LED unit to have total control of all the traders in the municipality as there will be a database of traders. The existing and new traders will undergo training before they have given the trading permits. This system will ensure that all the traders are providing one hawker stall per trader and those who occupy the incubation stall for long will be addressed accordingly. The training will stop illegal trading in the municipality.

### **5.3.3. Injection of more funds and skills to LED unit**

Local government lacks adequate funding to pursue LED (Mahlawe, 2010). There is sufficient funding for LED initiatives in category A municipality with a fully-fledged LED unit compared to category B municipality that often has only one or two LED officials (Mahlawe, 2010). This widens the imbalance between urban development and rural development in South Africa. The study recommends the LED unit in Polokwane Local Municipality be funded and prioritised like municipalities in category A in order to have maximum impact of LED in the municipality. Insufficient funds make the implementation of LED difficult in lower funded municipalities in South Africa. This leads to lower rates of creating jobs as expected from the outcome of LED in the country. More funds need to be injected in the LED unit in achieving the productivity and effectiveness of LED in South African municipalities.

### **5.3.4. Designing appropriate LED policies**

The study reveals that the LED unit in Polokwane Local Municipality is confronted with a number of challenges in implementing LED. This is supported by figures 16, 17 and figure 47 in the study. Figure 16 shows that majority of the respondents at 67% are of the view that the LED unit has enough recruitment process. Figure 17 shows that majority of the respondents at 67% are of the view that LED funding is insufficient.

Figure 41 shows that 96% of LED beneficiaries are in agreement that there are a number of challenges that LED unit encounters in implementing LED.

The study reveals that there are opportunities for LED unit in the municipality and each community has unique resources which pose as opportunities of LED. This is supported by the findings of the study in which Figure 21 shows that 100% of participants in the LED unit are in agreement that LED Economic activities are diversified in the municipality. Figure 22 shows that 100% of participants in the LED unit are in agreement that LED opportunities lies in three economic sectors namely, primary, secondary and tertiary sector. Figure 23 shows that 78% of participants (LED beneficiaries) are in agreement that each community has its unique resources that can be used to generate profit and create jobs for community members.

The challenges that are encountered by the LED unit in Polokwane Local Municipality hinder the effectiveness and productivity of the LED unit. Consequently, the LED unit is struggling to adequately create sufficient job opportunities. The study, therefore, recommends that LED unit formulates LED policies and strategies in line with opportunities of LED in the municipality. Such policies should seek to reform the state of LED in the municipality. The study further recommends that the LED unit make use of the SWOT analysis which will assist in identifying the strength, weaknesses, opportunities and threats. The threats and weaknesses can be turned into opportunities and the existing opportunities are turned into strengthens while capitalising on the strengths in creating job opportunities in the municipality. The study argues that the LED unit should use the opportunities of LED to counteract the challenge that hinders the implementation of LED in the municipality.

### **5.3.5. Adequate recruitment and skills development**

The study reveals that there are few employees in LED unit and this is supported by figure 16 which demonstrates that 57% of participants in the LED unit are of the view that the LED unit does not have enough staff members. The study, therefore, recommends sufficient hiring of staff and skills development programmes in the LED unit. Moreover, one of the respondent in the interview pointed out that one of challenges that faces LED unit is that officials in the unit lack innovation and skills. Therefore the study recommends the establishment of an innovative and skills

development programme in the LED unit, which will equip LED officials with innovative skills and techniques. The lack of innovativeness is evident in a lot of abundant municipal buildings and lack of economic stimulation at the Polokwane International Airport. There are few economic activities in the airport compared to other international airports in other provinces such as O.R Tambo international airport. There are also government structures and buildings that are abandoned in the Central Business District of the municipality and other parts of the municipality.

### **5.3.6. Facilitate funding for the establishment for SMMEs**

The study reveals that 75% of LED officials are aware that financial services provide finance to sustainable community initiatives. However, figure 39 shows that 76% of participants of LED beneficiaries disagree that LED unit facilitates funding for them. The access to financial assistance is limited for start-up micro-enterprises compared to existing macro enterprises with credit history. There are both government and private financial services that finance local entrepreneurs. The officials in the LED unit are aware that financial services provide assistance to sustainable SMMEs. The study, therefore, recommends that LED officials assist local entrepreneurs with writing a feasible and fundable business plan that has the potential to be funded by financial entities. LED unit needs to encourage and train local entrepreneurship to be innovative and creative in securing start-up funds. More have to be done in the facilitation of funding for entrepreneurs as only a few success stories of LED facilitating funding via the National Youth Development Plan. Entrepreneurs with a business idea that have the potential to create jobs at a larger scale need to be preferred when facilitating funding.

### **5.3.7. Provision of adequate economic infrastructure**

The study findings reveal that 100% of participants in the LED unit are in agreement that the municipality provides adequate infrastructure. Contrary to this, Figure 37 shows that 73% of LED beneficiary participants are of the view that the LED unit does not provide adequate infrastructure. There is a need for infrastructure development in the municipality in order to stimulate economic activities and attract more economic activities. The lack of infrastructure hinders the smooth implementation of LED in the

municipality. The lack of infrastructure is demonstrated in figure 11 and 37. The study recommends that the LED unit provide adequate infrastructure and also manages the existing economic infrastructure effectively. Adequate infrastructure will attract investment and encourages economic activities in the municipality.

The municipality has an airport. However, the airport does not generate adequate job opportunities like other cities, therefore, the study further recommends the effective management of existing infrastructure that does not generate sufficient job opportunities. The LED unit needs to provide maintenance and revamp the existing trading shelters that inclusive of security measures. Each trading centre must have a security guard to safeguard the shelters as homeless people sleep in such shelters and vandalise the trading shelters. The security guard and revamping can be financed by the monthly permit fees that will be paid by the street vendors. Effective and strategic use of existing infrastructure will create enormous job opportunities in the municipality.

#### **5.3.8. Cease the deployment of non-LED programmes in the LED unit**

The study finding reveal that there is a deployment of programmes that are not in the scope of LED in the LED unit. The deployment of such programmes in the LED unit hinders the maximum impact of LED as the time and funding belonging to the Unit is misdirected to achieve programmes that out of the scope of LED"s objectives. The energy and time that is directed to such programmes can be invested in the LED. The study, therefore, recommends that the Polokwane Local Municipality cease the deployment of LED foreign programmes in order to enhance the effectiveness of the LED unit in the municipality.

#### **5.3.9. Sustainability of LED initiatives**

The study finding reveals that majority of participants at 60% are of the view that the LED unit does not sustain its services in figure 33. The sustainability of LED initiatives entails the continuous and increased participation of LED stakeholders in LED initiatives. This means that the LED unit continues to evaluate and monitor the LED initiatives implemented by community members. Continuous evaluation enforces the sustainability of LED initiatives. The LED unit fails to monitor and sustain services

provided to community members. Initiatives in LED unit are sound on paper but lack a tangible impact, this is because the initiatives are not assessed and monitored.

The enterprise development provides capacity building programmes; however, it does not follow up with the beneficiaries to evaluate the impact of the projects. LED unit provides once-off services and often such services discontinue and have no maintenance. Incubators in the municipality remain incubators for many years and opportunity is not given to other community members. This is fashionable in municipal business centres. Most incubators have been occupying the stalls since the inception of the stall and project in the municipality. Those who vacate the incubation stalls is because they do not have enough profit to sustain their businesses.

The study recommends that the LED unit follow up on its beneficiaries in order to evaluate its effectiveness and effect corrective measures where necessary. The follow up on LED initiatives provides the platform for the municipality to sustain its services. The LED unit must develop a SWOT analysis strategy to review the implemented LED initiatives in the municipality. The process of evaluation will enable the LED unit to track down the effectiveness of LED initiatives in the municipality and provide an effective turnaround strategy for suffering SMMEs. This will assist the LED unit to have maximum impact on job creation and alleviation of poverty. The evaluation process will curb the rate of failing SMMEs and boost SMMEs that are not able to create sustainable job opportunities to create job opportunities. The study revealed in figure 38 that 54% of participants are able to create job opportunities while 46% of participants fail to create job opportunities.

#### **5.3.10. Curb local migration**

The study findings in figure 20 show that 89% of respondents in the LED unit agree that Unemployment and poverty alleviation drives people in the locality to migrate to urban areas in search of greener pastures. Unemployment and poverty drive community members to migrate to neighbouring provinces in pursuit of greener pastures. Talented, skilled and educated people move to bigger cities searching for job opportunities. The study, therefore, recommends that the LED unit must provide adequate services that create a conducive environment for the establishment and growth of SMMEs in the municipality in order to create job and economic opportunities.

The LED unit must engage in projects that will attract established entities that will create sufficient job opportunities in order to prevent the migration of community members within the neighbouring cities. There are many people living in Polokwane Local Municipality and this is the biggest resource for LED as their skills will lead to more opportunities for LED unit. Given those opportunities of LED in all diverse economic sectors and that each community has unique resources; the LED unit could exploit such opportunities by working together with community members in the municipality. The community members together with the municipality can take advantage of existing local resources and create job opportunities. The strategies and initiatives of LED which could be drafted should include agricultural farms, industrial parks and telecommunication serve as it is the foundation for economic activities.

#### **5.3.11. Decentralise LED unit offices**

The LED unit must decentralise its branches by creating satellite offices in other parts of the municipality, particularly the areas that are far from the city of Polokwane. This will assist community members who are far from the city and do not have the means to reach offices in the city. The LED unit should particularly plug the office of enterprise development as well as trade and licensing in areas that are far from the city. All the community members will have access to the services of the LED unit. Skilled and talented community members who are not aware of the services provided by the LED unit will be assisted.

Potential and existing entrepreneurs can be reached and assisted. In doing this poverty and unemployment rate will be curbed at the growing rate. The satellite offices will improve the rate of creating job opportunities as the beneficiaries of LED can consult at any time when in order to grow and sustain their projects. This will maximise the impact of LED and ultimately the effectiveness of the LED unit in the municipality. The LED unit will not only create job opportunities through satellite offices but can also employ graduates in the locality.

#### **5.3.12. Establishment of an enterprise**

The Assistant Manager in Planning and Economic Development and the number of scholars have stated that the funding of LED is insufficient. Moreover, the LED unit in Polokwane Local Municipality lacks entrepreneurship. It plays its coordinating,

facilitating and stimulating role in the local economy; however, it shortfall on entrepreneurship. The study recommends that the LED unit establish municipal enterprises in order to generate income that will supplement the existing funding of LED and boost municipal revenue. This can be implemented by utilising the abandoned municipal buildings in the CBD.

#### **5.3.13. Establish a healthy working relationship with traditional authorities who owns land in the Municipality**

The Manager in Planning and Economic Development stated that one of the challenges that LED unit encounters when implementing LED is that some of the land is owned by traditional authorities in the municipality. The traditional authorities often intervene in the implementation process of LED. The study therefore recommends that the LED unit must establish a healthy working relationship with traditional authorities. The traditional authorities must be included in the processes of economic development, starting from planning stage to implementation stage.

#### **5.3.14. Development of industrial parks**

Unemployment rate in South Africa is 27.6 % with 67.5% of adults living in poverty in Limpopo Province (Stats SA, 2019). The stats show that the current LED initiative in Polokwane Local Municipality does not create adequate job opportunities. To remedy this, the study recommends that the Polokwane Local Municipality establish the manufacturing industries. Industries have the potential to create job opportunities at a larger scale, however, there are only a few manufacturing activities in Polokwane Local Municipality recording only 0.46% in the national GDP in South Africa (City of Polokwane, 2019).

Industries can significantly mitigate unemployment and provide sustainable livelihood. The municipality can adopt industrial development in order to have maximum impact on job creation and have a significant impact on the LED. Industries in the municipality will encourage import substitution which will potentially decrease import and increase exports in the municipality. Moreover, industries attract investment injection. Industries can be implemented through the spatial distribution framework which will effectively guide land use in the municipality.

### **5.3.15. Agriculture development**

Agriculture has the potential to create vast sustainable job opportunities and promote the local economy. According to the 2030 National Development Plan, agriculture production will support the rural economy by the year 2030 (National Planning Commission, 2012), however, there are very few agricultural activities in the Polokwane Local Municipality. Agriculture Polokwane Local Municipality has contributed with only 0.86% to the national GDP in 2019 (City of Polokwane, 2019).

Therefore, the study recommends that the LED unit should initiate and establish agricultural activities in the municipality which will activate the 2030 rural economic goal. There should be a provision of agriculture education to community members. This will create more job opportunities and alleviate poverty in the municipality. Agricultural development will also complement industrial development which will contribute to more job creation. The LED unit could use the uncultivated land in the municipality to initiate agricultural economic activities. Such land includes the utilisation of the part of 50% of the land at Ga-Choune, the available wetlands and rivers in the municipality for intensive and extensive farming as well as forestry and livestock production.

### **5.4. CONCLUSION**

The study raises a question that how effective is the LED unit in improving local economies. In answering the question, the study was guided by the following objectives: to examine the nature and role of LED unit in South African Municipalities, to evaluate the effectiveness of LED initiatives taken to improve local economies in Polokwane Local Municipality, to investigate challenges encountered by LED unit in Polokwane Local Municipality and to analyse opportunities of LED unit in Polokwane Local Municipality. The study adopted both quantitative and qualitative research approaches in realising the objectives of the study. The study used Polokwane Local Municipality as its study area. Interviews and questions were used to collect data in the study. Senior officials in LED unit of Polokwane Local Municipality was interviewed. Two sets of questionnaires were distributed in Polokwane Local Municipality in which one set was distributed to LED officials and the other set was

distributed to beneficiaries of LED unit. The researcher observed ethical consideration and obtained ethical clearance from the Turfloop Research Ethics Committee.

The study findings reveal that the LED unit in Polokwane Local Municipality plays its coordinating, facilitating and stimulating role in the local economy. The LED unit in Polokwane Local Municipality have organs of the LED unit which are investment promotion and tourism, enterprise development, trade, and licensing. However, LED unit shortfall on entrepreneurship. The study therefore recommends that the LED unit must play its entrepreneurial role as part of enhancing LED in Polokwane Local Municipality. The LED unit must establish municipal enterprises in order to generate income that will supplement the existing funding of LED and ultimately achieve maximum impact of LED initiatives. The study findings show that that 50% of the participants (LED beneficiaries) understood the role of LED and 50% did not understand the role of LED unit. The study recommends that LED unit must establish an LED awareness platform that will assist community members widely understand the role of LED unit in the local economy.

The study revealed that LED unit in Polokwane Local Municipality have the following LED initiatives that emanate from its roles: enterprise development, tourism association, investment promotion and informal trading. However, 60% of participants (LED beneficiaries) are of the view that LED initiatives are not effective. The study findings reveal that participants in the LED unit are of the opinion that the LED unit provides economic infrastructure, retain SMMEs, invest in human capital development, supports import substitution. However, 73% of the participants (LED beneficiaries) are of the view that LED unit provides inadequate infrastructure. 76% of the participants (LED beneficiaries) are of the view that LED unit does not facilitate funding for the establishment of SMMEs. 54% of participants (LED beneficiaries) are of the opinion that their LED project creates job opportunities while 46% hold a different view. 69% of the respondents are of the view that the LED unit is not able to create industries in the municipality. The findings suggest that the LED initiatives are effective to a certain degree. The findings further suggest that LED initiatives in LED unit are sound on paper but lack a tangible impact. The study therefore recommends that LED unit must review and reform its initiatives in order to achieve a maximum impact in the local economy.

The study findings reveal that there are numerous challenges that encountered in the LED unit. The following are the challenges of LED unit: insufficient recruitment processes, lack of skills and innovation; lack of infrastructure; some of the lands are owned by the traditional authority in the municipality; migration, lack of resources and communities in the municipality are led by politicians who often intervene with the implementation of LED. The study further reveal that 96% of participants (LED beneficiaries) in the study agree that there are a number of challenges that the LED unit faces when implementing LED. The study therefore recommends that the LED unit must offer skills development programmes to the LED officials and also hire sufficient staff members. The study also recommends that the LED unit must generate income in form of business so that it can afford to provide adequate infrastructure and address other financial challenges. The study further recommends that the LED unit must establish an LED platform that will enforce equal participation of community members despite of their political affiliation. Moreover, the study recommends that the LED unit must take advantage of LED opportunities in all sectors of the municipality in order to present community members will opportunities and avoid migration of community members.

The study reveals that there are number of opportunities of LED unit in the municipality. The following are the opportunities of LED: for Industrial park development, Logistics industry, Development of a new town in some parts of the municipality, Agricultural development and Liquor licensing. The study further revealed that opportunities of LED are diverse and lies in all economic sectors. LED unit needs to be exploits such opportunities by working together with community members and other stakeholders in the municipality. There are many people living in Polokwane Local Municipality and this is the biggest resources for LED as their skills will lead to more opportunities for LED unit. However, the study reveals that 53% of the participants are of the opinion that LED unit encourages community members to use local resources and 47% of participants have a differing viewpoint. The LED unit needs to put more effort in the activation of local resources. LED unit needs to partner with corporates in order to form an independent body that promote the establishment of SMMEs through sufficient funding. Moreover, LED unit needs to design LED policies in line with opportunities of the local economy. The study reveals that 100%

of participants in the LED unit are of the opinion that the economy of Polokwane Local Municipality is likely to grow given opportunities in all economic sectors.

#### **5.4.1 Concluding remarks**

There are numerous topics from this study that can be further investigated and there are also a number of LED theories that can be used to solve economic issues in South Africa. The following are the research gap identified in the study:

- a) The implication of LED awareness on the effectiveness of LED in South African municipalities;
- b) The effectiveness of LED initiatives on job creation in South Africa;
- c) The impact of infrastructure development on Local Economic Development in South African Municipalities and
- d) Assessment of challenges that hinders the effectiveness of LED in South African municipalities.

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## APPENDIX A (QUESTIONNAIRES FOR LED UNIT)

### SECTION A

#### STRUCTURED QUESTIONNAIRES: LED UNIT

##### 1. Biographical information

###### 1.1. Gender

Male	female

###### 1.2. Marital status

Single	Married	Divorced	Not specified

###### 1.3. Educational status

Grade 1 – 7	Grade 8 – 12	National Diploma	Degree	Not specified

###### 1.4. Age group

10 - 18 years	19 - 25 years	26 - 40 years	40 - 45 years

##### 2. NATURE AND ROLE OF LED UNIT IN SOUTH AFRICAN MUNICIPALITIES

###### 2.1. LED unit links its programmes with other developmental programmes in the municipality

Agree	Strongly Agree	Disagree	Strongly Disagree
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2.2. LED unit facilitates and create conducive environment for investment attraction in the area

Agree	Strongly Agree	Disagree	Strongly Disagree

2.3. LED unit promote the establishment and expansion of SMMEs through the provision of both financial and non-financial support

Agree	Strongly Agree	Disagree	Strongly Disagree

2.4. Municipality own an enterprise?

Agree	Strongly Agree	Disagree	Strongly Disagree

**3. EFFECTIVENESS OF LED INITIATIVES TAKEN TO IMPROVE LOCAL ECONOMIES IN POLOKWANE LOCAL MUNICIPALITY**

3.1. SMMEs creates job opportunities in the locality

Agree	Strongly Agree	Disagree	Strongly Disagree

3.2. Municipality have provided adequate infrastructure

Agree	Strongly Agree	Disagree	Strongly Disagree

3.3. LED unit ensures that companies in the locality does not leave for better

attractive location

Agree	Strongly Agree	Disagree	Strongly Disagree

3.4. LED unit promotes spending on local products

Agree	Strongly Agree	Disagree	Strongly Disagree

3.5. LED unit invest in human capital development and productivity

Agree	Strongly Agree	Disagree	Strongly Disagree

3.6. LED unit encourages SMMEs to produce local goods instead of importing such goods

Agree	Strongly Agree	Disagree	Strongly Disagree

#### 4. CHALLENGES THAT LED UNIT ENCOUNTERS

4.1. LED unit have enough recruitment process

Agree	Strongly Agree	Disagree	Strongly Disagree

4.2. LED funding is inadequate

Agree	Strongly Agree	Disagree	Strongly Disagree

4.3. LED unit work together with private sector, society and community interest organisation to stimulate local economy

Agree	Strongly Agree	Disagree	Strongly Disagree

4.4. Mismanagement of LED funds hinders the successful implementation of LED

Agree	Strongly Agree	Disagree	Strongly Disagree

4.5. Unemployment and poverty alleviation drives people in the locality to migrate to urban areas in search of greener pasture

Agree	Strongly Agree	Disagree	Strongly Disagree

## 5. OPPORTUNITIES OF LED UNIT

5.1. Economic activities are diversified in the municipality

Agree	Strongly Agree	Disagree	Strongly Disagree

5.2. LED opportunities lies in three economic sectors namely primary, secondary and tertiary sector

Agree	Strongly Agree	Disagree	Strongly Disagree

5.3. Each community has its unique resources that can be used to generate profit and create jobs for community members

Agree	Strongly Agree	Disagree	Strongly Disagree

5.4. Financial institutions invest in sustainable community initiatives

Agree	Strongly Agree	Disagree	Strongly Disagree

5.5. The economy of Polokwane Local Municipality is likely to grow given opportunities in all economic sectors

Agree	Strongly Agree	Disagree	Strongly Disagree

**APPENDIX B (QUESTIONNAIRES FOR LED BENEFICIARIES)**

**SECTION Ba (ENGLISH)**

## STRUCTURED QUESTIONNAIRES: LED BENEFICIARIES (SMMES & STREET VENDORS)

### 1. BIOGRAPHICAL INFORMATION

#### 1.1 Gender

Male	female

#### 1.2 Marital status

Single	Married	Divorced	Not specified

#### 1.3 Educational status

Grade 1 – 7	Grade 8 – 12	National Diploma	Degree	Not specified

#### 1.4 Age group

10-18 years	19 -25 years	26 -40 years	41 - 55 years	56 -70 years	Not specified

### 2. UNDERSTANDING THE NATURE OF LED ENVIRONMENT

1.5 I understand the role played by LED unit

Agree	Strongly Agree	Disagree	Strongly Disagree

1.6 I am confident that initiatives taken by LED unit are effective

Agree	Strongly Agree	Disagree	Strongly Disagree

1.7 LED unit encourages community members to make use of local resources and create job opportunities

Agree	Strongly Agree	Disagree	Strongly Disagree

1.8 LED unit sustain its services

Agree	Strongly Agree	Disagree	Strongly Disagree

## 2 EFFECTIVENESS OF LED UNIT

2.1 LED unit target previously disadvantaged people when implementing LED

Agree	Strongly Agree	Disagree	Strongly Disagree

2.2 LED unit provide adequate infrastructure

Agree	Strongly Agree	Disagree	Strongly Disagree

2.3 My LED project embodies the objectives of LED (creates jobs and alleviate poverty in the community)

Agree	Strongly Agree	Disagree	Strongly Disagree

2.4 LED unit facilitate funding for establishment of SMMEs

Agree	Strongly Agree	Disagree	Strongly Disagree

2.5 LED unit creates industries in the municipality

Agree	Strongly Agree	Disagree	Strongly Disagree

2.6 There are number of challenges that LED unit faces when implementing LED

Agree	Strongly Agree	Disagree	Strongly Disagree

**APPENDIX C (TRANSLATED QUESTIONNAIRES FOR LED BENEFICIARIES)**

**SECTION Bb (SEPEDI)**

## STRUCTURED QUESTIONNAIRES: LED BENEFICIARIES (SMMES AND STREET VENDORS)

### 1. TSHEDIMOSHO YA TAODIOSOPHELO

#### 1.1. Bong

Monna	Mosadi

#### 1.2. Maemo a tsa lenyalo

Nyetswe/ nyetse	Hladile	Ga e hlatholle

#### 1.3. Maemo a tsa thuto

Mphato wa 1 - 7	Mphato wa 8 – 12	Tipoloma ya godimo	Tikirii	Ga e hlatholle

#### 1.4. Sehlopha sa mengwaga

Mengwaga ye10 - 18	Mengwaga ye19 – 25	Mengwaga ye 26 – 40	Mengwaga ye 41 – 55	Mengwaga ye 56 – 70	Ga e hlathole

### GO KWESISA TLHAGO YA TIKOLOGO YA LED

#### 1.5. Ke kwesisa karolo yeo e tseago ke yuniti ya LED

Dumela	Dumela ka maatla	Ganetsa	Ganetsa ka maatla

1.6. Ke nale boitshepo bja gore dipheo tsa kago, tseo di tswerego ke LED di nele Tswelopele ya maleba

Dumela	Dumela ka maatla	Ganetsa	Ganetsa ka maatla

1.7. Yuniti ya LED e hlohleletsa badudi ba motse go dirisa ditirelo tsa segae go hlola mesomo

Dumela	Dumela ka maatla	Ganetsa	Ganetsa ka maatla

1.8. Yuniti ya e swarelela ditirelo tsa yona

Dumela	Dumela ka maatla	Ganetsa	Ganetsa ka maatla

**2. PHETHAGATSO YA YUNITI YA LED**

2.1. Yuniti ya LED e nepisa batho bao ba hlophogilego ge go hlomiswa LED

Dumela	Dumela ka maatla	Ganetsa	Ganetsa ka maatla

2.2. Yuniti ya LED e aba meago yeo e lekanego

Dumela	Dumela ka maatla	Ganetsa	Ganetsa ka maatla

2.3. Projeke ya ka ya LED e akaretsa maikemisetso a LED (hlola mesomo le go fokotsa bohloki mo setshabeng)

Dumela	Dumela ka maatla	Ganetsa	Ganetsa ka maatla

2.4. Yuniti ya LED e nolofatsa sekhwama sa go thealwa di SMMEs

Dumela	Dumela ka maatla	Ganetsa	Ganetsa ka maatla

2.5. Yuniti ya LED e hloma diintasetiri ka masepaleng

Dumela	Dumela ka maatla	Ganetsa	Ganetsa ka maatla

2.6. Go nale le ditlhohlo tseo LED yuniti e kopanago le tsona ge di hloma LED

Dumela	Dumela ka maatla	Ganetsa	Ganetsa ka maatla

**APPENDIX D (INTERVIEWS FOR LED UNIT)**

**SECTION C**

**INTERVIEW: MM, CFO; LED UNIT MANAGER & DIRECTOR IN PLANNING AND  
ECONOMIC DEVELOPMENT**

1. What is your role in implementation of LED?

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2. What is the nature and role of LED unit in improving local economies? Does LED unit play its role in the local economy?

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