A COMPARATIVE ANALYSIS OF BUSINESS OWNER'S PERCEPTIONS OF THE CREATION OF AN ENABLING DEVELOPMENTAL ENVIRONMENT IN THE SEDIBENG MUNICIPAL REGION

Jan Roan Neethling

Student number: 23990384

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Supervisor: Dr. D.F. Meyer

Co – Supervisor: Prof. W.C.J Grobler

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DECLARATION

I Jan Roan Neethling, declare that “A comparative analysis of business owner's perceptions of the creation of an enabling developmental environment in the Sedibeng Municipal region” is my own work, and that it has not been submitted previously for assessment or completion for any postgraduate qualifaction.

SIGNATURE	DATE

EXCLAMATION TRANSLATIONS

To whom it may concern

The dissertation entitled, "The impact of an enabling environment on regional economic development: The case of Sedibeng District Municipality" has been edited and proofread as of 14 November 2016.

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info@exclamationtranslations.co.za

www.exclamationtranslations.co.za

IMPORTANT NOTES FOR THE READER

- The references used in this dissertation span from the late 1900s to the late 2000s. The majority of the references used to explain theory or literature are relatively old, but are still applicable today. The literature therefore includes early theories of regional economic development, as well as more recent local economic development theory.

- The main focus of the literature is the inclusion of both very important subject groups of regional economic development, as well as public management. The ultimate goal is to show that in areas where there are very high economic growth, the level of service delivery provided to the community is also on a very high standard.

- The reason for only choosing businesses as the primary role player in evaluating perceptions is due to the role that business owners play in the local economy. The types of businesses included any entity that provides services and goods to the community. The types of businesses were mostly retail, trade, and the services sector. The specific geographical location of the businesses comprise the major towns in the three local municipalities, which included: Midvaal (Meyerton), Emfuleni (Vereeniging and Vanderbijlpark) and Lesedi (Heidelberg).

- The referencing style used in this dissertation is according to the North West University's guidelines (Harvard method). According to van der Walt (2006:2), the Harvard method is used and accredited by the International Standards Organisation (ISO) and is accepted as the most applicable referencing style used in universities. The North West University uses the Harvard style for both undergraduate and postgraduate studies.

- The concept of an enabling environment is based on an article by Meyer (2014), which identifies 12 possible factors that influence local government in providing an enabling environment for both businesses and the community. A description of each factor was given to business owners in order to explain the relevance of each factor, and how they differ from each other.

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ABSTRACT

Title: A comparative analysis of business owner's perceptions of the creation of an enabling developmental environment in the Sedibeng Municipal region

Key words: Enabling environment, regional economic development, service delivery, public economics, and public policy.

Local Economic Development (LED) is a concept that is synonymous with the improvement of living standards for people in local communities. The development of a local region is mostly influenced by the way in which the government develops policy, which creates an enabling environment for both businesses and individuals. Organisations, local government, and the people of the community are the three major pillars that form part of the “LED triangle”. These parties are identified as the stakeholders working together in order to improve the coordination of future projects. An enabling environment, alternatively, focuses on the role of government in improving the delivery of services to local communities. The 12 factors aspects discussed in terms of this topic comprise the formation of partnerships, leadership, safety and security, agricultural improvement, human resource development, poverty alleviation, economic development, environmental and spatial plans, policies and structures, entrepreneurship development, infrastructure plans, as well as the improvement of transportation.

The aim of the National Development Plan (NDP) is to ensure that poverty and inequality will be reduced, and that employment will increase by at least 11 million by the year 2030. South Africa is currently facing numerous economic, social and political problems and obstacles. Various protests across the country have left citizens feeling distressed by the lack of service delivery from local government. Development is one aspect that South Africa needs to maintain economic, social and political stability. Local Economic Development (LED) and an enabling environment are two very important tools that should be used to determine the level of economic development within a specific geographical area.

A quantitative research design was used in this study by means of the survey method in a cross sectional approach. The respondents included 50 business owners in the Midvaal, 50 respondents in the Lesedi, and 100 business owners in the Emfuleni areas. This was as a result of the non-probability sampling method that was used. The data in this study were analysed using SPSS version 22 (Statistical Package for Social Sciences). The questionnaire distributed to the business owners included four aspects: demographic information, public service perceptions, municipal practices, as well the factors contributing to the creation of an enabling environment, which was rated on a five-point likert scale.

Economic development and the improvement in the development of the standards of living will always have a positive influence on the enabling environment. From the empirical results obtained in the survey results it was found that the municipality with the best performances in service delivery as well as the highest number of factors contributing to the creation of an enabling environment will have a significant impact on the overall standards of living and development of the community. The statistics revealed that the Midvaal Local Municipality have the highest level of development in terms of standards of living and income inequalities, as such, the overall delivery of services and the enabling environment factors are significantly better than those of the Lesedi and Emfuleni Local Municipalities. The study concluded that if an enabling environment is created and provided it will have a significant impact on the overall economic development initiatives such as job creation initiatives and the alleviation of poverty. This study revealed the empirical findings of the study both in terms of primary and secondary data.

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LIST OF ABBREVIATIONS

ANC	African National Congress
CBD	Central Business District
CDOs	Community Based Organisations
COGTA	Co-operation Governance and Traditional Affairs
DA	Democratic Alliance
DFID	Department For Institutional Development
DPLG	Department of Provincial and Local Government
DPSA	Department of Public Services and Administration
EDA	Economic Development Administration
ELM	Emfuleni Local Municipality
ETU	Education and Training Unit
GDP	Gross Domestic Product
GEAR	Growth Employment And Redistribution
GGLN	Good Governance Learning Network
GI	Global Insights
GNI	Gross National Income
GNI	Gross National Income
GNP	Gross National Product
GVA	Gross Value Added
HDI	Human Development Index
HRDSA	Human Resource Development South Africa
IDC	Industry Development Corporation
IDP	Integrated Development Plan
ILO	International Labour Organisation
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
IRMSA	Institute for Risk Management South Africa

LED	Local Economic Development
MLM	Midvaal Local Municipality
NDP	National Development Plan
NGOs	Non-Governmental Organisation
NGP	National Growth Path
NNP	Net National Product
OECD	Organisation for Economic Co-Operation and Development
OLI	Ownership, Location, Internalisation
PPPs	Public Private Partnerships
PQLI	Physical Quality of Life Index
SACN	South African Cities Network
SANCO	South African National Civics Organisation
SARB	South African Reserve Bank
SDF	Spatial Development Framework
SDM	Sedibeng District Municipality
SMME	Small Medium and Micro Enterprises
SPSS	Statistical Package for Social Sciences
UNIDO	United Nations Industrial Development Organisation
UNISA	University of South Africa
WEF	World Economic Forum
WEO	World Economic Outlook
WHO	World Health Organisation
WPTPS	White Paper on Transforming Public Services
YEBO	Young Entrepreneurs Business Organisation

CHAPTER 1 INTRODUCTION AND BACKGROUND TO THE STUDY

1.1. INTRODUCTION

Local Economic Development (LED) is a term that can be defined as the deliberate intervention of local government to promote sustainable development in the economy within a local region (Leigh & Blakely, 2013:56). LED is a tool used to help create a viable local economy to help improve service delivery and enable job creation for local residents (Meyer, 2014:1). The term LED has a wide variety of definitions and meanings, however, any changes in the global economy will have a significant impact on the outcome of any local economy (Helmsing, 2003:68). Bartik (2003:1) states that LED is defined as the overall increase in the local economy's capacity to increase the wealth of its residents. Local government is regarded as the main facilitator of LED, which is defined as specific institutions created by the higher level of government within the normal legislation (Shah & Shah, 2009:1).

The main roles of the local government include the implementation of a wide variety of services to improve the life of residents, creating an enabling environment, and allowing the space for democratic participation (Shah & Shah, 2009:2). Increases in wealth will only occur if the local resources such as human capital improvements, infrastructure improvements, and natural resources are used in a more productive way (Pretty & Ward, 2001). It is important for any local government to utilise resources in their most productive ways in order to grow in terms of economic development (Hall, 2006:22).

The provision of basic services can be an agent for reducing social problems such as inequality, poverty, unemployment, and strengthening social capital and infrastructure (National Treasury, 2012:196). One of the major problems within the South African economy is that most of the local governments do not have the necessary financial requirements and budgets to address the issues of poverty, service delivery, and unemployment (Atkinson, 2007:58).

It is important for any region to be competitive in terms of economic performance. The regional business environment may be seen as one of the greatest assets for any local economy in creating the foundation for economic development (Huggins, Izushi, Prokop & Thomson, 2014:256). It is the first priority of any region to maintain and attract firms that have a considerable number of full time employees, as well as sustainable living standards for citizens (Huggins *et al.*, 2014:256). Some of the most common examples of increasing the living standards of people in communities include: the level of innovation, human capital, as well as the local infrastructure (OECD, 2015). Hindson and Meyer-Stamer (2007:2) state that as soon as the business environment improves, it will have a significant impact on local economic development (LED), which is associated with the attributes of location, making business operation more attractive.

Some of the major obstacles for the business environment in South Africa include aspects such as inefficient skill levels, low levels of entrepreneurial culture, unsuitable support mechanisms, deficiency in access to business and financial development services, a high rate of market failures, which leads to low income, poverty, as well as significant levels of unemployment (Trah, 2002:1). One approach in addressing the various problems in South Africa is to expand businesses and create job opportunities for the people in communities. According to Kaplan (2013:12), there are three major policies that are aimed at employment creation in South Africa, namely, the NDP, NGP and IPAP, however, South Africa never succeeded in attaining the goals of previous policies aimed at creating job opportunities.

As a part of improving public services to the various local communities, the main function of any municipality is the provision of basic services that improve the living standards of the people within the local community (Atkinson, 2007). According to Ballard, Adam, Imraan and Elke (2005:617), some of the major issues within local municipalities include challenges in providing basic services, the appointment of new staff members, minimal attention towards citizens in poor and rural communities, and a lack of coordination between business communities, municipalities and public institutions.

The Sedibeng District Municipality was selected as the primary geographical study area. It is situated on the southern tip of the Gauteng province. The reason for the selection of the Sedibeng District Municipality as the study area is due to the numerous protests and strikes that have taken place in the past few years, and the fact that the NWU Vaal campus falls under the Sedibeng District Municipality (Akinboade, Putuma Mokwena & Kinfack, 2013:468). Table 1.1 gives a short description of the economic and service provision status of the district municipality, which consists of total population size, growth rate, unemployment rate, electricity for lighting, piped water inside dwelling, weekly refuse removal, as well as formal dwellings.

Table1.1: Statistics based on service delivery for Sedibeng District Municipality in 2011.

Municipality	Midvaal Local Municipality (MLM)	Emfuleni Local Municipality (ELM)	Lesedi Local Municipality (LLM)	Sedibeng District Municipality (SDM)
Indicator				
Total Population size	9 5301	721 663	99 520	916 484
Total Population size as % of SDM.	10%	79%	11%	100%
Growth rate (%)	3.94	0.92	3.26	2.71
Unemployment rate (%)	18.8	34.7	25.9	26.5
Youth unemployment rate (%)	25.4	45	33.8	34.7
Electricity for lighting (%)	79.3	92.2	89.9	87.1
Piped water inside dwelling (%)	64.9	69.9	52.3	62.4
Weekly refuse removal (%)	82.1	89	83.2	84.8
Formal dwellings (%)	80.2	85.3	85.5	83.7

Source: StatsSA, (2011a).

According to StatsSA, the Sedibeng District Municipality is characterised by an unemployment rate of 26.5%, a high number of formal dwellings (83.7%), as well as a shortage of skilled labour. It is important to note that the Emfuleni Local Municipality constitutes more than 79% of the total population in the Sedibeng district, while Midvaal and Emfuleni constitute only 21% of the entire population. Overall, the Midvaal Municipality is performing better than the other two municipalities in terms of job creation (the lowest unemployment rate at 18.8%) and other service delivery aspects such as housing, water availability, and access to electricity. The Lesedi and Emfuleni Local Municipalities are under control of the ruling African National Congress (ANC), while the local municipality in Midvaal is under the control of the Democratic Alliance (DA), which is the opposition party (Akinboade *et al.,* 2013:470).

The objective of the Sedibeng District Municipality is to achieve a sustained integrated service delivery that supports local municipalities to achieve positive economic growth and development (Sedibeng District Municipality, 2014). The strategic objectives of the Sedibeng District Municipality include (Sedibeng District Municipality, 2014) ensuring service delivery that is aimed at achieving economic development and growth for the people and businesses within the community.

The research process included the various aspects of regional economic development and LED in the South African context. Specific reference is given to the overall sectorial analysis of the Sedibeng District Municipality, and the way in which development is needed for sustained economic growth within a specific region. Pro-growth policies are needed for businesses and investments to grow at a sustainable rate within a specific region (Travers, 2014:2). Given that businesses contribute a large majority of the country's economic growth, specific reference will be given to business owners' perception of the local government so as to create an enabling environment that will prosper within the Sedibeng District Municipality.

1.2. PROBLEM STATEMENT

Service delivery problems is a concept that is well known to a vast majority of people within South Africa, and remains a huge concern for people within the Sedibeng District Municipality (Akinboade *et al.*, 2013:468). The South African Minister of Police, Mr Nathi Nhleko, stated that more than 14 700 incidents of service delivery protest were recorded, of which only 12 500 were peaceful, while nearly 2 200 incidents were violant (IOL, 2015). Service delivery problems pose a major threat to the country's potential for economic development, and it hampers their ability to lay the foundation on which a better communitty could be built (Wild, Chambers, King & Harris, 2012). In recent years, South Africa has witnessed an upsurge in the total number of threatening service delivery protests across the country, with people being distressed at the very slow pace of service delivery and also the recognition of corrupt practices of local government (Mashamaite, 2014:231).

In addition, the government is obligated to provide specified basic goods and services, which are found in the Bill of Rights. This specifies that each person has the right to adequate healthcare, housing, water, and education (Black, Calitz & Steenkamp, 2013:102). One of the major concerns is that the South African government does not provide adequate goods and services to businesses and local communities (Republic of South Africa, 2013:54). Powell (2012:22) states that there are huge disparities in most provinces in South Africa in which basic services are well below the national average in rural areas. Infrastructure backlogs are significant, thus omitted debt in local government grew to R73.7 billion as at 31 April 2011.

South Africa is characterised as an upper-middle income economy with Gross National Income (GNI) per capita of $4 125 to $12 736 per annum (World Bank, 2016). There is still a large percentage of South Africans that do not have access to water, electricty supply and housing due to high poverty and unemployment (IRMSA, 2015:20). The Constitution of the Republic, however, aims to give priority to the basic needs of citizens, as well as to promoting the social and economic development of the local communitty (McCrudden, 2004:260).

The efficient and quality delivery of public services remains one of the most challenging factors in South Africa in terms of the provision of sanitation facilitities, water availability, adequate electricity provision, and housing (Mdlongwa, 2014:39). There are various protests linked to basic services within the Sedibeng District Municipality (such as low wages received from municipal workers), but the most dominant issues linked to protests are due to housing and land availability (IRR, 2016:689).

Pillay (2014:587) states that various local municipalities are under the provision of provincial and national administration as a result of the incidence of corruption and fraud. The lack of service delivery has left numerous local governments in South Africa under enormous constraints to deliver basic services to communities (Rogerson, 2010:482). In an effort to deal with the needs of impoverished communities, various pro-poor policies edge near development implementations such as the integrated development plan, as well as local economic development (Mashamaite, 2014:232). However, there is still widespread poverty that is linked to the lack of basic service delivery, as well as poor socio-economic conditions in various local economies. According to Sebugwo (2011:17), the low capacity of municipalities to deliver basic services has resulted in various petitions, mass protests, as well as strikes.

The efficient delivery of basic services is therefore important for any local region to grow and prosper. Given that South Africa faces numerous socio-economic and structural economic problems, LED seeks to utilise the potential for each area, and to stimulate the adjustment of local economic systems to the ever changing economic environment. LED is therefore a tool used to strengthen the local environment, but also to overcome weaknesses in order to allow the local community to successfully confront the threats and opportunities faced by the external environment (Rodríguez-Pose & Tijmstra, 2005:38). Political conditions also have a large influence on the overall economic conditions of a country, which in turn has a significant impact on the level of social factors such as poverty, unemployment, and inequality (DFID, 2015). This study aimed to provide empirical literature on government expenditure, as well as business owners' perceptions of the government's role in creating a favourable environment for businesses.

1.3. OBJECTIVES OF THE STUDY

1.3.1 PRIMARY OBJECTIVES

The primary objective of this study was to analyse the economy of the Sedibeng District Municipality, as well as to evaluate the perceptions of business owners of the local government's ability to create an enabling environment.

1.3.2 THEORETICAL OBJECTIVES

The following theoretical objectives have been identified:

- An analysis of the theory of regional economic development and public economics;
- Evaluating local economic development practices and policies in South Africa; and
- An analysis of the theory of the creation of an enabling environment and service delivery, which contributes to the development of a local economy.

1.3.3 EMPIRICAL OBJECTIVES

In accordance with the primary objective of the study, the following empirical objectives are formulated:

- To evaluate the local business owner's perceptions towards the components of service delivery which has the most negative impact on local businesses.
- To do an economic analysis of the Sedibeng District Municipality in terms of the Human Development Index (HDI) and other factors contributing to the creation of an enabling environment.
- To evaluate local business owners perceptions towards the factors contributing to the creation of an enabling environment.
- To formulate guidelines for a development strategy regarding the creation of an enabling environment and public service delivery for the Sedibeng District Municipality.
- To present that if the local economy of a region is significantly valuable, the level of service delivery and factors contributing to the creation of an enabling environment will be of higher quality

1.3.4 VALUE OF THE RESEARCH

Given that Local Economic Development is a term that is not recognised by all South Africans, this research will have an impact on Local Economic Development within South Africa. The need for local business owners to improve business activities by involving all of the different stakeholders in the community will have a significant impact on local government's service delivery. The economic analysis of the Sedibeng District Municipality provides insight into the various opportunities for economic growth and development. The provision of current regional economic policies to improve basic service delivery and the provision of development policy provides valuable information in the analysis. The research also acts as a reference point and point of information regarding local development policymaking in South Africa.

1.4. RESEARCH DESIGN

The research design can be explained as the major plan linking the overall research to the empirical findings. A research design is defined as the methods and specific data to be used in the research project (Van Wyk, 2012:4). Research methodology is the systematic process of solving a specific problem. Rajasekar, Philominathan and Thanajavur (2013:15) define research methodology as the procedure of explaining, defining and evaluating the problem or research topic.

The methodology used in this research comprised a quantitative method of research. Primary data was collected using a structured questionnaire, which comprised using the quantitative method of survey research. Secondary data was used to evaluate which predictors of the enabling environment would have the highest influence on the Human Development Index (HDI).

1.4.1 LITERATURE REVIEW

The literature review will comprises sources such as articles and publications by government (national, provincial and local). Reports are made regarding the theory behind local economic development (such as the LED principles and planning processes) , regional economic development (including location theories, public policy and public economic theories) service delivery definitions and the role of government in providing development policymaking decisions, as well as the role of the Constitution of South-Africa in transforming public service delivery. Relevant development and public management textbooks and journals will be used in order to obtain the basis of the theory surrounding development economics, but more specifically, development policymaking, the rationale for development planning and the role of markets, government and society as a whole.

1.4.2 EMPIRICAL STUDY

The empirical portion of the study will include the following empirical dimensions.

1.4.2.1 TARGET POPULATION

The target population in this study was found within the Sedibeng District Municipality (SDM), which consists of business owners within the Midvaal (MLM), Emfuleni (ELM) and Lesedi Local Municipalities (LLM) (see Annexure A). The ELM is known for having a high level of urbanisation, while the MLM and the LLM are predominantly rural in nature. The Sedibeng District Municipality is situated in the most Southern part of Gauteng and is approximately 55 km from the south of Johannesburg. The ELM consists of two main cities, namely, Vanderbijlpark and Vereeniging, which cover an area of approximately 985, 21 km^2 (ELM, 2015). The ELM is also the largest in terms of population size with approximately 721 551 residents, while the MLM and LLM only have 193 215 residents combined (StatsSA, 2011a). The sample area was chosen to provide a comparative analysis of the underlying public service delivery problems within the Sedibeng District Municipality.

Community surveys were administered within local businesses in the Emfuleni Local Municipality (100 businesses), Midvaal (50 businesses) and Lesedi (50 businesses) areas. The amount of businesses were chosen as a representation of the population size within each local municipality. The total sample size of the three respective municipalities was 200 businesses, and included businesses that were mostly situated within the Central Business District (CBD) and industrial areas. The distribution of businesses focused on all types of businesses within the different sectors of the economy, which include retail, services, financial and the manufacturing sectors.

1.4.2.2 MEASURING INSTRUMENT AND DATA COLLECTION METHOD

The collection of primary data was the main focus of the measuring instrument that was used in the study. The self-administered questionnaire was used to collect primary data on public service delivery and factors contributing to the creation of an enabling environment, which was based on an article by Meyer (2014) in which the scales were tested and validated.

Annexure B gives a representation of the questionnaire that was used within the study, which comprised four sections.

Section A includes the following basic demographic information:

- Ethnic origin;
- Age;
- Gender;
- The role of the business owner;
- The number of years each has been a resident in Sedibeng;
- Highest level of education;
- Type of business in the sector operated in;
- Size of business;
- Number of full time workers;

Section B includes the public service delivery perceptions of the participating business owners. The five-point Likert scale was used in this evaluation as it measures the respondents' attitude towards a certain statement or topic (Albaum, 1997:332), and includes variables such as:

- Water availability and sewer provision quality;

- The supply of electricity;
- Quality of road provision;
- Incorrect municipal accounts; and
- Zoning regulations.

Section C includes the categories of municipal practices carried out by local government, which have an effect on the operations of businesses. The various categories included within the municipal practices sector include:

- Unstable management;
- Vague policies;
- Municipal tariff costs;
- Irregular practices and corruption; and
- Poor public participation.

Section D within the questionnaire included the 12 factors contributing to the creation of an enabling environment, as identified by Meyer (2014). The 12 factors were as follows:

- Leadership;
- Partnership formation;
- Economic development plans;
- Poverty alleviation and social development;
- Access to transportation;
- Human resource development;
- Entrepreneurship development;
- Infrastructure improvements;
- Quality of physical environment and spatial plans;
- Development of agriculture;
- Safety and security; and
- Structures and policies.

Within each of the 12 factors, two additional questions were added in order to give the business owner a proper idea of what each of the 12 factors entailed.

The main aim of the survey was to provide useful information about the perceptions of business owners regarding their satisfaction with public service delivery. The data collected from the business owners are useful in providing insight into how well the municipality is able to provide public services to the community. The data also enables an evaluation of the factors contributing to an enabling environment.

1.4.2.3 STATISTICAL ANALYSIS

The primary data were analysed within this study using the Statistical Package for Social Sciences 22 (SPSS). The data collected per questionnaire was used to evaluate the level of service delivery between the three municipalities for the various business owners. The most basic approach of determining the level of service delivery was the use of descriptive statistics, including frequency distributions such as the mean, standard deviation, skewness and kurtosis. The five-point Likert scale was used to determine the level of respondents' satisfaction, where one was very poor and five was very good. SPSS was used to capture the results of each factor, and to see whether there was a significant difference in the perceptions of business owners.

Cross tabulation was also used to determine the differences in perceptions of all three municipalities in the SDM. The main focus of the cross tabulation was determining which municipality had the highest percentage of satisfaction regarding service delivery and which municipality was the least satisfied with service delivery. The mean score of each factor was used to measure which were the most significant and which were the least significant.

Secondary data was also used to determine whether regional economic development have a significant impact on the enabling environment. The main purpose of the time series used within the study, was to evaluate which factors of the enabling environment have the highest influence on economic development. Time series statistics namely E-Views 8 was used to determine which of the four identified indicators (crime, infrastructure index, informal housing and GDP) will have the highest significant impact on HDI (Human Development Index). In terms of the analysis, the correlation matrix will be used determine which of four identified indicators are more correlated to HDI.

1.5. ETHICAL CONSIDERATIONS

In order to ensure the total objectivity of this study, the requirements of professionalism within the business environment, as well as on a local municipal level, were adhered to. This study aimed to achieve high standards of technicality with reference to the reference list and to the rejecting plagiarism. The specific questionnaire regarding the perceptions of business owners regarding service delivery adhered to the ethical clearance requirements of the North-West University's Vaal Triangle Campus Ethics Committee. This ensured that the questionnaire did not request any sensitive or personal information from business owners that may have made them feel vulnerable within the study. Participation in the study was completely voluntary and the participants were welcome to leave the study at any given time. The information provided within the questionnaire was non-sensitive in nature, and the questionnaire did not contain any questions that were detrimental to the self-interest of the respondents. As such, a high level of technical standards was maintained throughout the study, with specific emphasis on referencing and sourcing (Mouton, 2011:238).

1.6. CHAPTER CLASSIFICATIONS

CHAPTER 1: INTRODUCTION AND BACKGROUND OF THE STUDY

Chapter 1 included an introduction to the study, which included the process of planning the research, the orientation and background of the study, the problem statement, the objectives of the study, as well as the research design and methodology of the research.

CHAPTER 2: LITERATURE REVIEW

Chapter 2 comprises the literature review of the study. The main focus of this chapter is identifying the current constitution of the South African government, as well as practices laid out on White Paper regarding efficient service delivery. An analysis of economic development policy is also carried out to find a broad overview of the current economic development policies. The theory of Local Economic Development and the rationale behind development and planning within a local municipality are also discussed. This theory provides the basis for comparing the levels of service delivery and the factors contributing to the creation of an enabling environment. The Literature also focuses on the definitions of and approaches to Local Economic Development.

CHAPTER 3: THE STUDY AREA PROFILE

Chapter 3 comprises the study area profile in which the three local municipalities were evaluated in terms of economic growth. A sectorial analysis of the different sectors contributing the highest to economic growth in the Sedibeng District Municipality are also presented. The study area profile includes a short description of each municipality, the population, economic growth statistics, as well as service delivery statistics.

CHAPTER 4: METHODOLOGY, RESULTS AND FINDINGS

The purpose of this chapter is to highlight the design of the study, including a discussion of the target population, its respective sampling frame, and the sample size. Furthermore, the data collection method and the management of the research instrument, together with the statistical procedures for analysing the data are discussed. This chapter includes the factors that the business owners found the worst in terms of service delivery, as well as the various factors that contributed the most to the creation of an enabling environment. The Likert scale was mostly used to obtain the mean value of each score, and as such, the correlations, histograms, crosstabulations and frequencies were used to analyse the perceptions of the business owners within the three municipalities.

CHAPTER 5: RECOMMENDATIONS AND CONCLUSION

After the survey analysis is carried out, the final chapter will present and dissect the results and findings of the study. This chapter includes a summary of the study, as well as the conclusions that have been be drawn. The overall recommendations for development policymaking are then given in the concluding remarks of the study

The next chapter focuses on specific theoretical analysis of local economic development as well as regional economic development. Specific emphasis will be given towards political theory and location theories which focuses on social choice theory and the concentration of specific economic activities within a region. The definition and importance of LED will also be explained with specific emphasis on economic base theories and development planning processes. Policies and practices in service delivery and LED will also be elaborated on whereby the Constitution of South Africa, the Local Government Municipal Systems Act as well as the White Paper on Transforming Service Delivery in South Africa. The last section of Chapter 2 will explain the factors which contribute to the creation of an enabling environment in the South African context. The main aim of these factors are to define all the different factors and the impact it has on the business environment.

CHAPTER 2: A THEORETICAL ANALYSIS OF LOCAL AND REGIONAL ECONOMIC DEVELOPMENT AND THE ENABLING ENVIRONMENT

2.1. INTRODUCTION

The local government is regarded as one of the most important contributors to reduce socio-economic problems in various rural and urban areas around the world (Atchoarena & Gasperini, 2003). According to the South African Civics Organisation (SANCO) (1995), South Africa's Local Economic Development (LED) is seen as the key to addressing social and economic problems in South Africa. Nel (2003:4) states that one of the reasons for the prominence of LED is the limited success achieved by previous, centrally driven regional development strategies in South Africa and the fact that they were tainted by direct association with apartheid planning. LED includes aspects such as employment opportunities, creating comparative advantages, the promotion of a viable dialogue between local-level stakeholders and the strengthening of an enabling environment for local businesses (ILO, 2016).

LED is clearly associated with attempts to promote development and meet basic needs, to bring about "empowerment" and to allow for greater local-level self-reliance and self-determination (Nel, 2003:6). Ulleberg (2009) identified the features which are pertinent in the South African context, namely that LED should focus on local interventions, economic development aimed at the broader development of affected communities, participatory empowerment and the need for policy intervention. LED is a concept which refers to the increase in the "capacity of the local economy in order to create or stimulate the wealth of the local community" (Trah, 2002:1, Leigh & Blakeley, 2013:30). These increases specifically refer to resources in human development and natural resources such as labour and land which are used in a more efficient and productive way (Hall, 2006:21). LED plays an integral role in globalisation, as it enables the local community to be responsive in addressing global challenges (Keil, 1998:616, Hall, 2006:21). The decisions of the local communities will have a direct and immediate effect on decision making processes, investments and development (Wright, 2011:5; Elliot & Popay, 2000:462). Given the importance of LED in terms of job creation and creating an enabling environment, the theory in this chapter will focus mostly on regional economic development, the role of the public sector and reasons for growth in an economy.

2.2 DEVELOPMENT ECONOMIC THEORY: REGIONAL ECONOMIC DEVELOPMENT

Numerous economists and scholars (Karl Marx, 1850; Irving Fisher, 1890; Milton Friedman, 1990) believed that economic growth (output) or GDP is the indictor mostly used to determine the level of living standard (welfare) in a country. The question could be asked whether higher GDP really compensate for the growth of a population or the inequalities in income. Traditional economies focuses on the information occupied in an approach to maximize profit, obtaining higher utility returns, the determination of equilibrium as well as market efficiency in which natural resources are used in a more productive way (Kenaway, Abd-El Ghany, 2012:33).

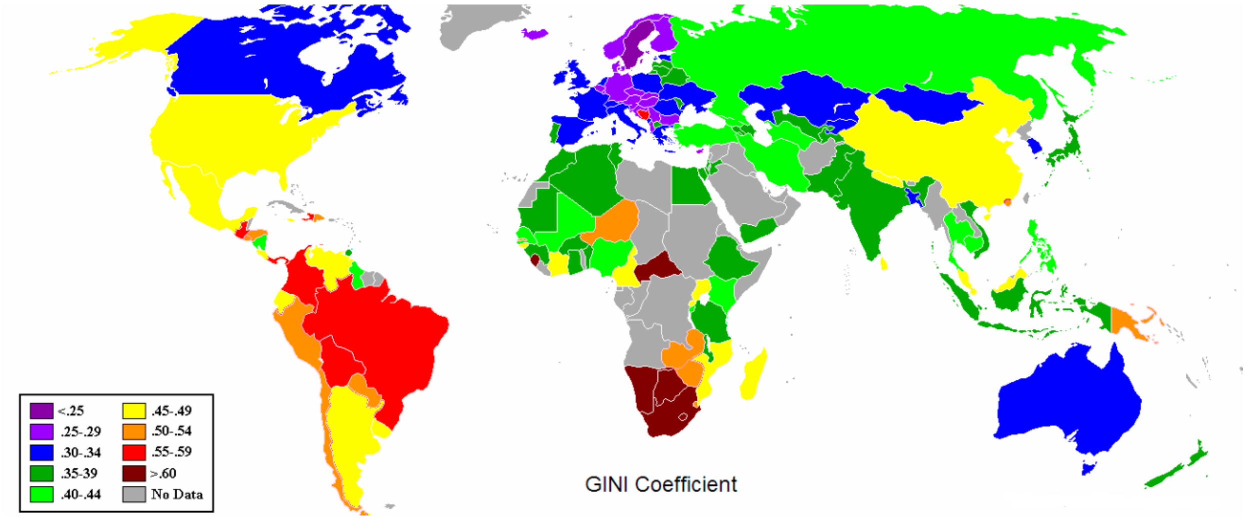
Development economics has even a greater scope. In addition to traditional economies the study of development economics is focused more on social sciences with regards to sociology, economic theory, anthropology and large-scale improvements in the levels of living (Ray, 2005:1). Development economics therefore focuses on how economies are transformed from low-income to high-income status and from stagnation to growth, as well as overcoming the problems faced by absolute poverty (Todaro & Smith, 2011:8; Galor & Weill, 2000:815). Todaro and Smith (2011:22) argues that there are three objectives which needs to be considered in improving the living standards of people in local communities, these objectives include: to increase the availability of life-sustaining goods, to raise levels of living and to expand the range of social and economic choices.

Economic development creates conditions for economic growth in the sense that improved quality of life are very important drivers for individuals, firms and communities in order to maximize their resources (Economic Development Administration, 2004). Stough (2003:179) asserts that economic development is based on an endogenous effort to encourage innovation, business start-ups, entrepreneurship and the growth of firms and industries. A favourable enabling environment for businesses are important conditions for economic growth and development (Rowe, 2009:6). The goal of economic development is thus to create employment, improving living standards and increasing he wealth of the community and individuals (Blakely & Bradshaw, 2002:374). Blakely and Bradshaw (2002:374) argues that local economic development can be seen as a "salesmanship and rationale planning" whereby competitive advantages should be identified and applied within the local community. The central role of any local government is to expand local economic activities with the aim of improving living standards within a community; however, economic activity is not evenly distributed across space (Brakman, *et al.,* 2003:22, Maggioni *et al.,* 2007). Regional economics plays a very crucial role in the "location economic tradition", which is based on the neo-classical economic theory. The modern analysis of the agglomeration of firms and people in cities rely strongly on "the economics of agglomeration", which are based strongly on the decline in average costs of production as capacity in production increases within a specific region (Anas *et al*., 1998:1427). We can therefore be certain that a city can only achieve economic growth if there is increasing returns to scale (Krugman, 1996:6, Ottaviano, Puga, 1998:708). The following section is based on location theories, theories behind business clusters and regional economic development theory.

2.2.1 ECONOMIC DEVELOPMENT IN SOUTH AFRICA

During the first 10 years after 1994, the South African economy experienced significant economic growth. This fast growth was coupled with other socio-economic problems influencing economic policy-making in South Africa, such as consistently high inequality of income, poverty and unemployment (Van der Westhuizen & Bhorat, 2012:2). Rising inequality in developing countries (such as South Africa) is a matter of widespread concern because the gap between the rich and the poor is widening. The consequences of high income inequalities involve more than just the gap between the rich and the poor, they also influence the development and political stability in a country (Era, Kochar, Suphaphiphat, Ricka & Tsounta, 2015:5). The Gini coefficient is the internationalindicator used to measure income inequality in a country, with the numerical value 0 indicating low inequality and 1 indicating very high inequality (Bosch *et al.,* 2010:1). Figure 2.1 is a representation of the change in the Gini-coefficients in the world.

Figure 2.1: Gini-coefficients in the World



Source: Era *et al.,* (2015:11)

The Gini coefficient in South Africa is nearly 0.68 indicating a very high unequal distribution of income for citizens in South Africa (Era *et al.*, 2015:12). A high unequal distribution of income and very high levels of poverty are two of the most negative influential factors influencing development initiatives in South Africa (Harmse, 2013:18).

The development challenges faced by local governments in South Africa go far beyond the highly unequal distribution of incomes. These challenges include the stabilizing of economic strategies to achieve the eradication of extreme poverty, improving public service delivery, enhancing competitiveness, ensuring transparent social relationships, and improving intergovernmental relations (Harrison, Reddy, & Nene, 2003). Local Economic Development is seen as a solution in which these challenges will be addressed, helping to eradicate the difficulties of implementing policies, programmes and strategies (Meyer, 2014). Parnell and Pieterse (2002;79) state that the facilitation of an enabling environment will only take place if the local government succeeds in the execution of excellent service delivery to local communities. The limited success by the central government in ensuring economic growth resulted in socio-economic planning being devolved from the national and provincial institutional cores to the more individual local municipal areas (Binza, 2005:7).

According to the Constitution of the Republic of South Africa (1996), one of the objectives of local government is the promotion of social and economic development (Nel, 2001:1003). The core goal of the government for "enabling" Local Economic Development is supported by vast majority of processes and policies in which one of the main aims is to promote socio-economic development (Harrison *et al*, 2003:177). There are various polices aimed at promoting socio-economic development goals, including the Reconstruction and Development Programme (RDP) of 1994 which involves a coherent development strategy and increasing economic growth on a local level (Turok & Parnell, 2009:158; Van der Westhuizen & Dollery, 2009:163). The RDP also promoted LED in the sense that job creation and poverty alleviation are the main focus areas for improvement. The Growth, Employment and Redistribution (GEAR) strategy of 1996 contributes to LED in public investments, as well as improvement in municipal and economic infrastructure (Harrison *et al.*, 2003:177). The first priority of the GEAR policy was improving the GDP by more than 5 percent and creating work opportunities in various sectors as well providing services in a more equitable manner (Powell, 2012:14). The aim was not only to create jobs and improve service delivery in the various sectors, but also to influence the budgetary controls and fiscal systems of both local and provincial government (Powell, 2012:14). South Africa is therefore still regarded as a developing nation, relying mostly on primary sector industries such as manufacturing and mining in which natural resources are extracted in their raw form and no value is added (Nehman *et al*., 2009:352). The only way in which South Africa can grow as a developing country is through investment in human capital as a first priority in which skills and knowledge are developed in a more effective way (Nehman *et al.,* 2009:353).

2.2.2 REGIONAL ECONOMIC THEORY

Regional economics may be defined as the branch of development economics which use the notion of "area" in the analysis of economic growth and development in the markets (Capello, 2009:9). Having a relative or comparative advantage is one of the most important characteristics of regional economic development as it enables regions or nations to produce goods and services more effectively and efficiently (Froling, 2006:12). Furthermore, regional economics moves from "space" to "territory" as the main focus of analysis, when local growth models include space as an economic resource and as an independent production factor, a generator of static and dynamic advantages for the firms situated within it – or, in other words, an element of fundamental importance in determining the competitiveness of a local production system.

Regional development is mostly focused on exogenous and endogenous factors including factors such as resource endowments and knowledge bases within a region (Stimson & Stough, 2009:169). Most of the traditional regional growth models were based on Macro Economic theory such as the neo-classical economic growth model and the 1956 Solow growth model. Endogenous factors include aspects such as innovation, leadership, entrepreneurship, institutional capacity and learning (Stimson & Stough, 2009:169). Exogenous factors of development growth include aspects such as new technologies, foreign competition and exchange rates (De Mello Jr, 1997:8). The more competitive a region is in terms of quality goods and services, the greater the changes in economic growth (Porter, 2000:25).

Regional economic development theory also plays a significant part in the structures within or outside a certain region, which views the evolution of growth in the various stages of economic development (Dawkins, 2003:137). Dawkins further states that the regional development theorists focused particularly on regional economic growth in terms of a structural process, in which the different sectors of an economy are evaluated. The sectorial theories are mostly associated with the Rostow's stages of development in which the development is a process. In the early stages of economic growth, agricultural produce is more significant while expansion in the manufacturing sectors is less so, however, as transport and freight increase, overall industrialisation will expand (Dawkins, 2003:17).

Regional development theory was developed by Porter (1990), who used the tool of industrial clusters as a way of identifying competitive and comparative advantages (Szajnowska-Wysocka, 2009:83). Porter found that the location of businesses or industries is the most important factor for economic growth. The location paradox is presented as: produce locally, sell nationally and integrate the business in specific industrial location (Szajnowska-Wysocka, 2009:83). The competitiveness of a region is mostly determined by the conditions in which firms operate, and the value that these firms add to the specific region. This implies maintaining and attracting firms with stable market shares, while maintaining a high level of standard of living (Huggins *et al.*, 2014:256). While it is very important to note that regional economic development is based on economic growth, it also adds to the measurement of how well the business environment is performing (Huggins *et al.*, 2014:257). Regional economic development may also be viewed as quantitative and qualitative attributes, for example quantitative measures include job creation, income levels and the availability of goods and services (Stimson & Stough, 2009:169). Qualitative regional economic development includes factors such as the creation of financial and social equity in improving the overall living standards of the people within a certain community

(Barbier, 1998:102). Stimson and Zalazar (2005) proposed a model for regional economic development which may be represented as follows:

RED = f [RE, M mediated by (L, I, E)]. The outcome of the regional economic development process (RED) is the degree in which a region achieves competitive performances and displays sustainability. RED is based on endogenous growth, and may be measured as follows (Stimson & Stough, 2009:185):

RE = Resource Endowments, measured with the following set of variables:

- Climate
- Agglomeration of key sectors in economy
- Education levels (derived as human capital)
- Per capita income, income distribution and income distribution over time.
- Infrastructure investments (per capita), such as road infrastructure, hospitals, schools.

M = Market fit, measured with a set of variables such as:

- Basic economic activity
- Road/freight in/out movements
- Volume and value of exports in key services and products

(Mediated by L, I, E, which is based on the following factors :)

Leadership: the degree of stability in political leadership and density of region wide businesses and community organisations per 10 000 of the population.

Institutions: layers of government fragmentation, institutional thickness, formal institutions of governance and number of major corporations.

Entrepreneurship: which includes venture capital activity, churn rate, patents issued per 10 000 workers, as well as the Location Quotient of employment.

The regional development theory is based on the endogenous growth process which includes aspects such as leadership, entrepreneurship and institutional factors for intervention (Sharifzadegan *et al.,* 2015:4). Regional growth encompasses the different areas in which development and growth could improve, as well as the competitiveness within the business district (Porter, 2000:21). Regional economic development theory is more than just the economic growth of a region, it includes other aspects, like the engagement of stakeholders such as businesses, and the development of human capital and philanthropy (McGahey, 2008:14-20). Regional economic integration needs to be addressed in Africa since Africa has the lowest level of human capital, international trade and economic development (Madyo, 2008:11). Regional economic development therefore plays an integral role in the success of free trade and the integration of economic activities. Regional economic development is found to improve integration between particular regions, but it is also found to have a positive impact on the harmonisation of economic development practices and policies (Madyo, 2008:39). The following section will include the aspects of public policy which are important in regional economic development as it includes aspects such coordination, growth, sustainability and competitiveness.

Leigh and Blakely (2013) used a theory to explain regional development = c*r where c=capacity and r=resources. Capacity includes aspects such as social, technological and economic capacity. Resources include such natural resources as availability, industrial composition, export market and international economic situation. This theory is very broad and explains the endogenous nature of the model framework in the development context. Leigh and Blakely (2013:75) proposed a summary of the various theories in development economics:

Table 2.1: Summary of Economic Development Theories

Theory	Basic category	Definition of development	Application
Economic base theory	Basic or non-basic local sectors	Increasing the rate of growth in output, employment or income	Most appropriate in the use of promoting export diversification and expansion with emphasis on infrastructure development
Staple theory	Exporting industries	Successful marketing and production of the export staple in world markets.	Export specialization is an important aspect of a local economy in order to improve competitive and comparative advantages.
Sectorial theory	Primary, secondary and tertiary sectors	Greater sectorial diversity and higher productivity per worker	Promoting sectorial shifts in order to retain and attract producers of income elastic products and services
Flexible specialization theories	Product regimes and industrial organisation	Sustained growth through flexible product specialization and innovation	Encouraging flexibility through advances and adoption of technologies and networks among small firms and industry clusters

Source: Leigh & Blakely, (2013:75-77)

Table 2.1 presents a representation of the various theories in development economics and what they are used for. Economics base theories are associated with increasing the rate of output in the economy while promoting export diversification. Staple theories are directly associated with the improvement in competitive and comparative advantages within the international trade arena. Sectoral theory is used to establish the promotion of production in the various sectors in the economy, such as the primary, secondary and tertiary sectors. Flexible specialization theories are aimed at encouraging productivity through the advancement of networks and technologies within a specific region. The four theories proposed by Leigh and Blakely (2013:75) offer a good representation of the importance of the development theories in regional economic development, as they underscore the promotion of sectoral growth and they encourage flexibility in the use of new technologies.

2.2.3 PUBLIC POLICY THEORY

Public policy theories are mostly associated with models which present problems in an accessible manner while including the policy process in terms of authorisation, goal identification, implementation and evaluation (Cloete & de Coning, 2011:35). Political paradigms in a country play an integral role in the political views of a region and in the way in which the economy functions (Cloete & de Coning, 2011:51; Adelman, 2000:67). One very important factor influencing the allocation of resources in a country is the political survival model in which government officials have the power to protect individual interest (Cerna, 2013:15). Policy and developmental process characteristics of developing countries are found to be less significant than those in the more developed countries, and this causes policymaking to occur at a dysrhythmic and irregular pace (Cloete & de Coning, 2011:73). Government must realise that development projects are policy experiments, rather than blueprints of what development from the higher levels of government should entail (Rondinelli, 1993:5). Public policy plays a very direct role in the creation of an enabling environment as it supports institutional regimes such as state-led, government guided coordinated markets, capitalism and entrepreneurial improvements (Ten Brink, 2011:3). As a part of political public policy, the government aims to provide a constructive role in the economy of a country, as such, institutions have the role in coordinating political systmes as well as future local development projects and plans.

2.2.3.1 THE BIG PUSH THEORY

Various scholars claim that foreign aid will have an immediate effect on the level of economic development within a country. However, it is believed foreign aid is directly linked to low quality governance in a country that is not self-reliant (Abuzeid, 2009:17). Abuzeid further reiterates that the support of funding to a country will lead to high levels of corruption and irregular practices by any parties involved in receiving the funds. An alternative solution in receiving funds from foreign aid is to allocate resources efficiently and effectively with the aim of utilizing the local economy. The term "Big-Push" is directly associated with the various role-players influencing the way in which coordination within a specific region is possible. According to Kilman and Lundin (2014:7) the “Big Push” theory are directly associated with an increase in available capital stock, and increase in savings and investments as well as the reduction of poverty and an increase in economic growth.

The Big Push analysis of Rosenstein Rodan (1943) suggests that an insufficient local market size is the main cause of underdevelopment within a region or country. The “Big Push Theory” is based on the idea that coordinated (that is, government led) expansions of investments will allow firms to reap from the benefits of (external or internal) scale of economies, which fosters industrialization of the backward country or region (Lindauer *et al.,* 2002, Hoff, 2000:145). Brakman *et al* (2003:25) assert that the expansion of production only becomes profitable if a number of other firms also expand their production (hence, the term ‘big push’).

The big-push theory is important in local economic development as it emphasises the stimulation of demand, in the form of foreign aid, large public spending programmes, or the discovery of new mineral resources (Sachs & Warner, 1999:44). In order for any local economy to grow, it would be necessary for the government to expand its activities and stimulate demand, as that would enable growth in the various sectors of the economy (Brusco & Reigh, 1989:405). Incentives and policies should be aligned with the coordination of certain outcomes in the economy by increasing productivity and incentives by the same portion. The Big Push theory will only have a significant impact on the economy if the three tiers of LED namely, government, businesses and the community work in a coherent manner. According to De Fontenay (1999:1) firms, institutions and government that are stable will have a significant impact on reducing the costs of a Big Push. The specialization of the different roles between countries and regions therefore plays an integral role in development economics (Morgan, 2009:3). From a coordinating regional role, countries are expected to focus on long term goals, as set out by the national government using a clear strategic plan that includes evaluation (Morgan, 2009:3). Public policy thus have a clear role to play in the enabling environment as it facilitates the way in which businesses can expand or operate in, it also contributes towards the needs of SMME’s in public administration (Bennett, 2010:50).

2.2.4 PUBLIC ECONOMICS: MACRO MODELS FOR GROWTH

Understanding regional economic development requires understanding of the macro models for growth in government. This includes the level of satisfaction regarding provision of social and economic services to the people, so we first need to understand the Macro economic theories for growth in an economy in terms of public expenditure. The two models in this analysis include Wagner’s Stages of Development and the Peacock and Wiseman displacement effect.

2.2.4.1 ROSTOW'S STAGES OF DEVELOPMENT

Literature (Todaro & Smith, 2011:111; Goulet, 2005:112) shows that Rostow's stages of development is viewed as one of the most important theories of economic development. This theory is based on the theory of public economics in which the government sector impacts resource distribution and allocation (Black *et al.*, 2013:4; Sameti & Rafie, 2010:68). Public economic theory states that nations with higher local economic development increase government expenditure, as well as tax rates (Sameti & Rafie, 2010:68). Rostow's stages of development show how government expenditure tends to increase when a country develops from a traditional economy to a more industrialised economy (Black *et al.,* 2013:112). Several studies have revealed that the stages of economic growth are particularly relevant in a national economy, however, Parr (2001:2) found that these stages could also be found within specific local economies or regions. Rostow's stages of development describe traditional society, preconditions for take-off, take-off, drive to maturity and the age of high mass consumption (Rostow, 1959:1; Wagner, 1994:10).

The Traditional Society

During the first stage, the formal sector of the economy is relatively small, and, as a result the government may have to provide the basic infrastructure (e.g. roads, railways and harbours) (Black *et al.,* 2013:112; Davies & Thurlow, 2010:442). During this stage in the early 1900's, food production involved more than 75%of the total work force, with limited technology and innovative improvements (Rostow, 1959:1). The traditional stage includes the creation of an environment for economic development in which capital expenditure features predominantly (Black *et al.,* 2013:112; Adelman, 2000:65). The majority of resources are spent on the non-productive activities such as religious observance and war (Parr, 2001:2).

Preconditions for take-off

The second stage of growth in Rostow's model is the one in which traditional society is transitions into the preconditions for take-off. According to Smith (2015:4) and Kuznets (1973:250) it is the period in which the modern sciences of industry and agricultural development are introduced into society. During the preconditions for take-off, the government will continue to provide investment goods while private investments will start to take off, partly due to the positive effects of government investment during the first stages (Black *et al.,* 2013:112; Bernanke, 2010). The preconditions for take-off are mostly concerned with the formation of an efficient nation state in terms of administration and government (Parr, 2001:3).

Take-off into self-sustaining growth

In the take-off stage, intensive growth is seen, industrialization occurs and institutions and workers are concentrated around new industry (Black *et al.*, 2013:112). Total government expenditure increases significantly and high density living needs to be addressed, which leads to even higher government expenditure (Black *et al.*, 2013:112). According to Parr (2001:4) the take-off into self-sustaining growth is one of the most difficult stages to complete because economic growth becomes a normal condition and the rate of productive investment increases by 10-12% of the Net National Product (NNP). The take-off into self-sustaining growth is also seen as the stage in which one of the manufacturing sectors emerges (Parr, 2001:4). Parr further states that this "primary growth" is mostly concerned with the use of modern technologies, which stimulates the "supplementary growth" sectors (via the forward and backward linkages), as well as the sectors which involve growth of the economy. The take-off stage therefore shows that primary growth is a representation of the overall growth in the national and regional economy (Lo & Salih, 2013).

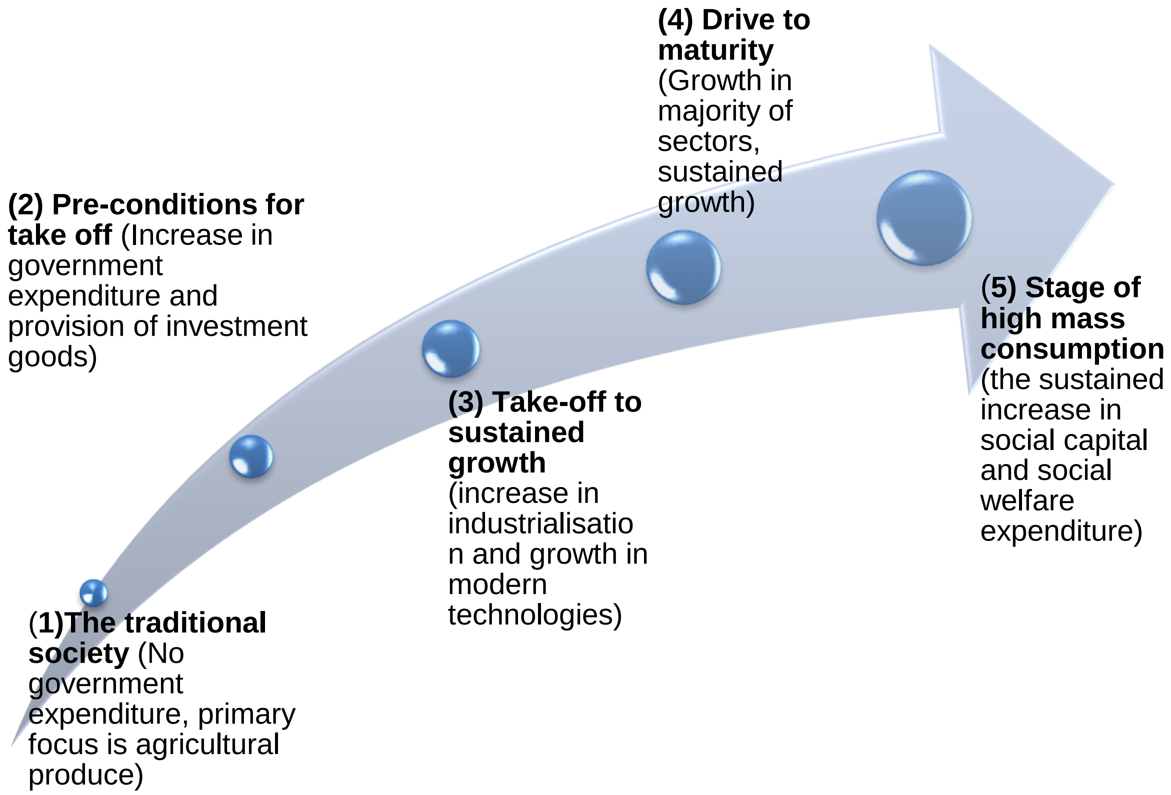
Drive to maturity

Kuhnen (1987:15) provides an in depth analysis of the work of Rostow, in which the drive to maturity is seen as the spread of growth from the major sectors with modern technology being used in the production process resulting in overall changes in society. This stage usually begins 18 years after the start of the take-off stage. Growth of the leading manufacturing sectors are not predominant, but is spread across all sectors of the economy (Parr, 2001:5). Development in the drive to maturity stage is mostly facilitated by the emergence of high educational levels, as well as high economic growth (Parr, 2001:5). The drive to maturity is usually sustained by capital expenditure of government in which the GDP decreases since most of the infrastructure are already in place (Black *et al.,* 2013:113).

Stage of high mass consumption

The stage of high mass consumption may be seen as the stage where all the necessary economic development has already taken place. Now government has several choices to increase the amount of social welfare programmes, as well as social welfare capital (Parr, 2001:5). The stage of high mass consumption is usually associated with an increase in educational and welfare programmes and health expenditure due to the high-income elasticity of demand (Black *et al.,* 2013:113).

Figure 2.2: Rostow's stages of development



Source: Own compilation

The Rostow's stages of development are part of the linear stages theories which a country passes through before achieving development (Todaro & Smith, 2011:111). This theory shapes the way in which a country develops, because it enables self-sustaining economic growth (Hoff & Stiglitz, 2001). The fact is that Rostow's stages of development are not only concerned with the increase in overall government expenditure, but more specifically they focus on the development process of a country or region (Hirschman, 1977:67). This theory will provide valuable insights into the development process of South Africa, but also with regard to a regional perspective such as the Sedibeng District Municipality.

2.2.4.2 PEACOCK AND WISEMAN'S DISPLACEMENT EFFECT

Peacock and Wiseman (1967) used a political theory to explain the relationship between public expenditure and political events (Black *et al.,* 2013:112). Government expenditure mostly depends on the amount of revenue raised by taxation (Seers, 2014:234; Barro, 1979:945). The government would be in a position to continue increasing expenditure, as well as their role within the economy, provided the economy continues to grow (Black *et al.*, 2013:113). Peacock and Wiseman's displacement effect is mostly associated with the median voter in a democratic country (Congleton & Bennett, 1995:5). This theory is very important because it considers the political side of economics in terms of government expenditure, where individuals are not prepared to pay higher taxes if government expenditure continues to increase (Black *et al.*, 2013:113). The Peacock-Wiseman hypothesis focuses more on the analysis of government expenditure regarding more profitable uses of available funds, in terms of the median voter (Peacock & Wiseman, 1961:53). Citizens are unwilling to pay higher taxes and government should be responsive to the needs of the people who vote (Peacock & Wiseman, 1961:53). In a democratic country, the government has to respect the wishes of the majority of voters and in turn increase government expenditure against higher tax rates (Black *et al.*, 2013:113). The Peacock-Wiseman effect reveals that disturbances and social upheavals may have a negative effect on public expenditure (Black *et al.*, 2013:113). The displacement effect reveals that as certain government expenditures increase at times such as during natural disasters, this will displace private expenditures and other government expenditures (Black *et al.*, 2013:113).

According to Peacock and Wiseman (1961:53) the displacement hypothesis may be presented by the following equation:

$$InGc = \alpha + bln\gamma c + \ \epsilon c \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 1$$

The symbol Gc represents the real per capita expenditure (other than the war-related and defence expenditures), *Yc* includes the real per capita GNP, while ϵ represents the error term. The Peacock and Wiseman (1961:53) test reveals that there is an upward displacement, and that certain government expenditures will displace other important expenditures. The real per capita expenditure indicates the total expenditure by a country, while the Yc represents the real per capita expenditure in the economy. The Peacock and Wiseman theory is very important in economics, considering the huge influence that politics have in a country like South Africa. A panel data study done by Magazzini, Giolli and Mele (2015:818) in 27 European countries around the world revealed that a 1 per cent increase in GDP will raise government expenditure between 0.02 and 0.63 per cent, indicating a postive relationship between GDP and government expenditure. The adjustments in economic expenditure explain the allocation of resources and government, and the way in which the resources are used to create the enabling environment for the local economy (OECD, 2016).

2.2.5 MICRO-MODELS OF EXPENDITURE GROWTH

In terms of a more regional model for expenditure growth in a country the micro models are relevant because they show the changes at regional level and how they influences the overall government expenditure. The two most important theories in the micro-model of government expenditure are Baumol's Unbalanced Productivity Growth, as well as Brown and Jackson's Microeconomic Model.

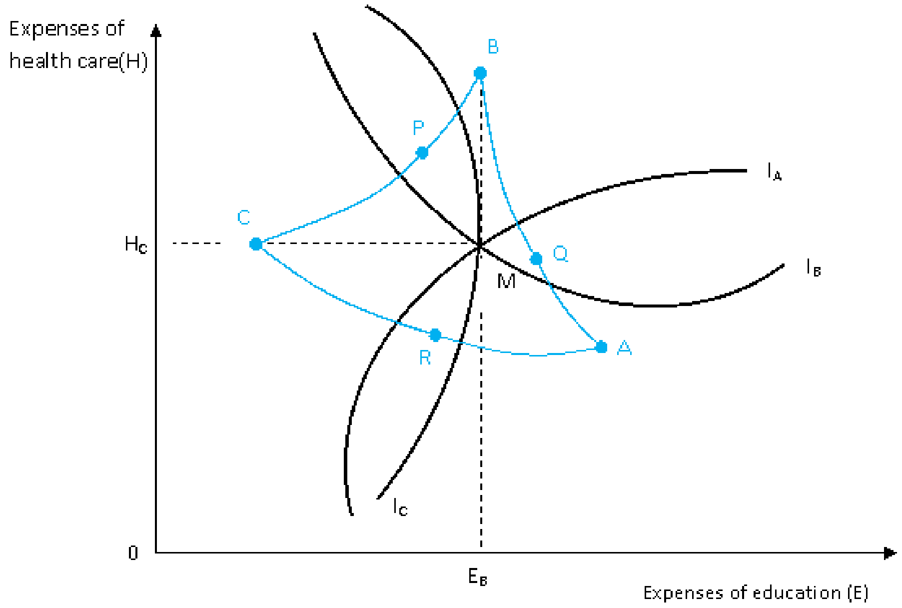
2.2.5.1 BAUMOL'S UNBALANCED GROWTH

Expenditure by government may increase in a disproportional way in terms of public sector compared to the expenditure in the private sector (Black *et al.*, 2013:115; Peacock & Wiseman, 1961:22). In order to understand Baumol's Unbalanced Growth, the roles of municipal government, economic services, health expenditure, educational expenditure and overall municipal services have to be understood (Baumol, 1967:418). Baumol's Theory of Unbalanced Growth suggests that the economy is divided into two sectors, namely the non-progressive and progressive sectors (Black *et al.*, 2013:115; Bernardi & Carrido, 2008:305). The progressive sector is mostly characterised as the sector where technology improvements are seen, such as capital formation, innovation and high economies of scale, which contribute to the level of output within a country (Black *et al.*, 2013:115;Kniivilä, 2007:302). The non-progressive sector is mostly characterised as the sector where public funds form a major part of the overall spending (Benkovic & Mejia, 2008). The fact is that the wages and salaries between the private (progressive sector) and the public (non-progressive sector) should not differ too much as this would indicate that economic growth would be more negative than positive (Black *et al.*, 2013:116; Baumol, Blackman & Wolff, 1985:808). Oulton (2001:606) suggests that if output is growing at the same rate then the resources will shift to the more stagnant industries with slow aggregate productivity growth. Baumol's Unbalanced Growth Theory is applicable in terms of regional economic development, as it indicates the performances of the different sectors over a certain period of time (Silva & Teixeira, 2008:286). The low or unbalanced growth could be due to a decline in the progressive sectors, while there is an increase in the non-progressive sectors (Altman & Ngandu, 2008). Black *et al.* (2013:116) state that government expenditure in South Africa is mostly directed towards the remuneration of employees, revealing the unbalanced productivity growth in the health, education, policy sectors.

2.2.5.2 BROWN AND JACKSON'S MICROECONOMIC MODEL

Brown and Jackson's Microeconomic Model is based on economic theory linked to politics (Duggan, 2000:75). The political system is the main focus of this theory with regard to gaining the maximum number of votes (Duggan, 2000:75). The Brown and Jackson Microeconomic Model for political systems is based on political and social choice theory where the majority of choices made by the public is based on their preferences regarding the use of private and public goods (Duggan, 2000:75). According to Black *et al.*, (2013:116) it often happens that government expenditure increases without a steady increase in the level of goods and services provided, which may be seen as inefficiency. However, Black *et al.*, (2013:116) state that it may be as a result of the service environment.

Figure 2.3: Majority voting and two public goods.



Source: Duggan (2000:75)

Figure 2.3 is a representation of the majority voting system and three different types of consumers, deciding between education and healthcare expenditure. Points A, B and C show the three different indifference curves for the three different consumers. Assuming that the preferences of the median voter are present, Individual C will spend more on healthcare and Individual B will spend more on education. Because consumers differ in terms of their preferences for a service, the median voter theory suggests that point M (in the centre of indifference curves) will prevail. In most instances it is suggested that the political theory will have a major influence on the overall expenditure by government, and that consumers preferences will be one of the most important determinants of the different types of public goods provided to the consumer. One very important point made by Bailey (1999:149) suggests that government expenditure estimates given to the public, lack the necessary subtlety in terms of taking account of the collective interests.

Black *et al* (2013:116) state that it is not only the level of government expenditure, but also the service environment, in which changes in the population size will have an influence. The marginal social costs of pure public goods such as defence and law for an additional consumer will always be zero, however, mixed and merit goods such as eduation and health will lead to a drop in standards when providing these services (Kayiran Dikmen, 2007). Black *et al.*, (2013:117) further state that another factor influencing the level of government expenditure is the quality of goods demanded by the median voter.

2.2.6 LOCATION THEORY

Space or location have a significant impact on the way in which certain economies operate. It influences the way in which economic advantages influence production activities, but it can also have a negative impact on business activities (Capello, 2011:1). Assink and Groewendijk (2009:2) state that location theories tend to have a more significant impact on the choices that organisations make than other development economic theories. Location theories have three factors which influence policy development: primary factors (the cost of transport), secondary factors (distance to local markets) and tertiary factors (policies set out by local government) (Assink & Groewendijk, 2009:3). Location theory therefore plays a significant role in the business decisions, such as location, transport costs and the distance to the markets. The following section will include a brief analysis of the Von Thunen location theory (1880) and the OLI eclectic model (1979) by John Dunning. Location have a significant impact on the overall quality of the enabling environment because it encompasses spatial theory and the way in which the environment is enabled to grow and develop.

2.2.6.1 THE VON THUNEN LOCATION THEORY

Johann Heinrich Von Thunen (1826) created an analytical model which refers to market, production and distance (Pascaiu & Pascaciu, 2011:47). In this approach he considered space as consisting of a city in a fixed field on which could be found various industrial goods and agricultural crops (Pascaui & Pascaiu, 2011:47). The Von Thunen model takes it as given that a central location be situated in a concentration of certain economic activities (Venebles & Limao, 2002:241). As local businesses or industrial activities move away from the city centre, the land rent declines, the lot size increases, and the population density falls (Duranton & Panga, 2013:3). The basic tenet of the Von Thunen model is the theory of marginal productivity, which can be formulated formulas follows (Day & Tinney, 1969:138):

$$R = \gamma(\rho - \mathrm{C}) - \gamma Fm \ldots\ldots 2$$

The symbol R is represents land rent, Y is represents the Yield per unit of the land, while C represents the factors of production per unit of product. P is the price of the product per unit, while F symbolises the rate of the freight (per km or per commodity unit), m represents the physical distance to the market from origin (Day & Tinney, 1969:138). The dependant variable is therefore the land rent, while the yield per unit of land and the rate of transaction costs are the independent variables in the equation. The Von Thunen Theory thus emphasises the importance of location.

The closer a business (organisation) is to the city, the less will be spent on transportation, as well as other land rent costs (Tolley & Turton, 2014:20).

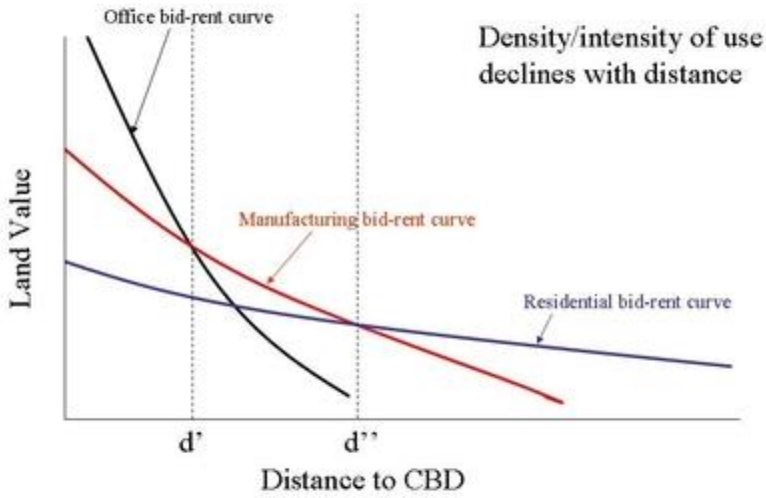
The monocentric city model, which originates from Von Thunen (1826) remains one of the best benchmarks for (regional) economics today. The monocentric city model assumes that all locations are featureless: a plain, where rivers, mountains and so on are irrelevant (Olwert & Guldmnann, 2012:239). The Von Thunen model assumes that there is a small city in the midst of the plain, which is made up of: s single central business district (CBD), as well as the various suburbs surrounding the district.

The Von Thunen Theory may also be further explained.Marginal productivity is dependent on land rent, yield per unit of land, factors of production, price of product, and freight if the organisation (business) is in the agricultural sector. Added to the current formula, character TC represents transportation costs and TM represents time constraints.

$Revnue = \gamma Fm - TC - TM$……………………………………………………………………2

Source: Own Compilation

Figure 2.4: Monocentric (AMM) model.



Source: Clowney (2005)

Figure 2.4 is a depiction of the Alonso-Mills-Muth model, which describes a scenario in which employment is mostly concentrated within the city centre (CBD). Overall, the land values, density and intensity will decline the further away you move from the CBD. It is important to note that the different types of land use types (industries, offices, residential, commercial) each have their own unique “bid-rent” curves (the amount of rent willingly paid for proximity) resulting from the nature of preferences or production (Clowney, 2005). The different land uses all have a different demand for land: the closer to the CDB the higher the demand for land use. The different density/intensity of use declines the further away one moves from the CBD., Overall there is a higher demand for office use, as well as for manufacturing bid-curves than for the residential bid-curves. The efficiency of the land allocations in the monocentric model hinges on the assumption that there are no externalities of location (Brakman *et al.*, 2003:25).

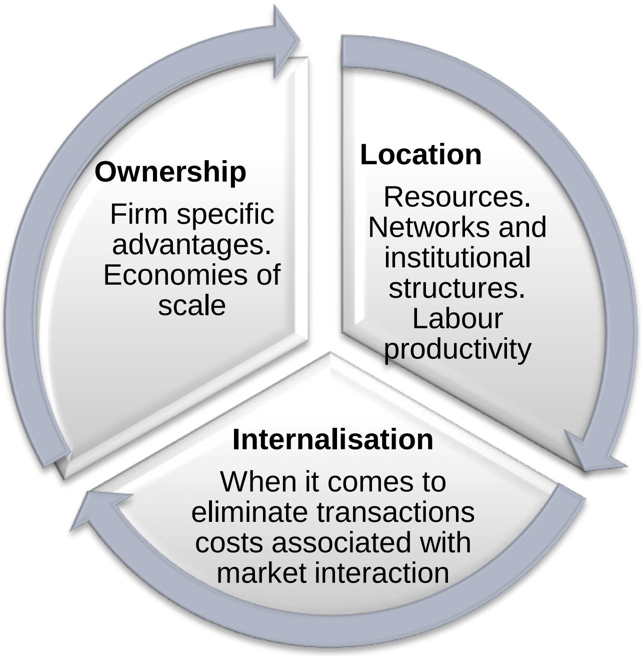
The Von-Thunen model therefore emphasizes the fact that the closer the unit is to the city, the lower the transportation resources needed for agricultural produces, which increases efficiency in production and sales for any organisation. The result is an emerging pattern of concentric rings, which expands outwards from the city centre with a decreasing cost of land in terms of transportation costs, as well as demand related to rent prices and availability of land (Kaplan, 2013:15). The Von Thunen model plays a significant role in local economic development as it enables the local economy to expand in close relation to the city, which is important for economic growth in terms of production and costs (Glaeser, 2009:3).

The Von Thunen model may be described as one of the most important theories in terms of sectorial growth within a certain region. The closer a business is located to the Central Business District (CBD), the higher the total rent will be, as well as the price of the product, if the product is found to be inelastic (Oni *et al.*, 2012:325). This is true for the Sedibeng District Municipality where the market of fruits and vegetables is not in close proximity to the other retail organisations in the surrounding areas. Whenever there is a market for agricultural produce close to local businesses, the prices for the product will be low and the quality is very high.

2.2.6.2 THE OLI ECLECTIC THEORY

The OLI “eclectic theory” was first developed by John Dunning in 1979. It suggests that distance is seen as “social friction” where the friction may be defined as a metaphor for transport and communication costs (Jordaan, Drost & Makgata*,* 2015:532). McCann (2009) states that location theory is based on the three major streams of research including: regional science and urban economics, economic geography and trade theory. The strategic behaviour of multinational firms has been analysed by using Dunning’s (1979) eclectic theory in which different theories are used to determine foreign investments.

Figure 2.5: The OLI Eclectic model



Source: McCann (2009:130).

Figure 2.5 depicts the OLI eclectic model which is based on Dunning's (1977) "OLI paradigm". This model posits that multinational activities are driven by three sets of advantages that either discourage or encourage a firm from undertaking certain foreign activities and becoming a multinational or multi-plant firm. Each of these three aspects of Dunning's (1977) eclectic paradigm interact to explain the location decisions of the multinational organisation (McCann, 2009). According to Lopes (2010:15) the "OLI" paradigm is known to have several advantages. First it enables better determination of the profitability of a particular organisation. Secondly, it allows the distinction between short-term ownership advantages and more long-term advantages, which enables resources to be concentrated in the firm over a period of time. Thirdly, it facilitates the critical sources of ownership advantages over a specific period of time (Lopes, 2010:15).

Table 2.2: OLI eclectic model matrix

Advantages of the OLI eclectic model				
		Advantage of ownership	Advantage of internalisation	Advantage of location
Factors of free market entry form.	Business Licensing	✔	✔	×
	Foreign Direct Investments	✔	✔	✔

Advantages of the OLI eclectic model			
	Advantage of ownership	Advantage of internalisation	Advantage of location
Exportation	✔	×	×

Source: Eden & Dai (2010:17)

The OLI eclectic model is based on the principle that firms need to have certain advantages in terms of ownership, location and internalisation in order to eliminate "social friction". Table 2.2 is a representation of the OLI eclectic model matrix in which factors such as business licensing, FDI and exportation have an influence on the advantages for ownership, internationalisation, as well as location.

The Von-Thunen and the OLI eclectic model are two very important theories to consider in regional economic development because the location of a business have a major role on the enabling environment. Spatial and environmental planning are two aspects which contributes to the enabling environment of a certain region or location. Urbanisation is recognized as one of the aspects which a country needs in order to grow, both economically and socially (Annez & Buckley, 2009:1). Business clusters and urbanisation are two very important aspects in considering the improvement of the enabling environment, because the more concentrated business activities are the higher the change for economic growth and development.

2.3 LOCAL ECONOMIC DEVELOPMENT

Local economic development is a concept which is viewed as the fundamental shift in the key role players and activities associated with economic development (Harrison *et al*, 2003:177). According to Nel (2002:151) LED is associated with the attempt to promote the satisfaction of basic needs, in order to bring out "empowerment" and to allow for a greater level of self-determination and self-reliance. Initiatives most often allow for public-private partnerships which can be established in regional and local governments, unions, businesses, non-governmental organisations (NGOs), as well as community based organisations (CBO's) (Nel, 2002:152). The role-players in LED form the basis of improving the service delivery in a local community, as well as creating job opportunities and improving the quality of life for residents. Blakely (1994:49-50) states that the "endogenous development policies using the potential of local institutional, human and physical resources" are major considerations for locally based economies. Local economic development is important for any region to grow into its full potential. Rogerson (2006:38) listed the reasons why local governments should promote LED in South Africa:

- LED can contribute towards employment opportunities, local employment and wealth generation.
- LED can be seen as a supplement to broaden the process of national and regional development and the attainment of various macro-economic policy objectives.
- Any fiscal constraints on the government will encourage local level action, particularly since the government is not able to address the socio-economic inequalities in the country.
- LED can help to limit the effects of an economic crisis, for example deindustrialization.
- LED can help to directly or indirectly promote local economic development and empower community groupings.
- There are not sufficient resources in a nation to enable the welfare solution, so increasing economic opportunities should be undertaken.

Blakely (1994:52) argues that the local government and the community-based organisation are realising the important role of the public sector, which has an impact on the decisions of the private organisations. Given the important role of the local government, organisations and the private sector are key to the success of any LED strategy pertaining to the improvement in quality of life for residents (Harrison *et al*, 2003:177). Internationally, there have been numerous approaches to LED, which are grouped under five approaches. Table 2.1 gives an indication of the different approaches to LED, as well as the key instruments under each category.

Table 2.1: The different approaches to LED.

Approach	Key Instrument
1. Traditional	Industrial recruitment
2. Urban efficiency	Increased urban productivity and lowered costs
3. Entrepreneurial and sectorial	Pick winners and promote public private partnerships (PPPs)
4. Progressive-competitive	Pick winners with the maximum social benefits – promote PPPs and public community partnerships.
5. Progressive/community based	Link profits to develop and support the community based institutions.

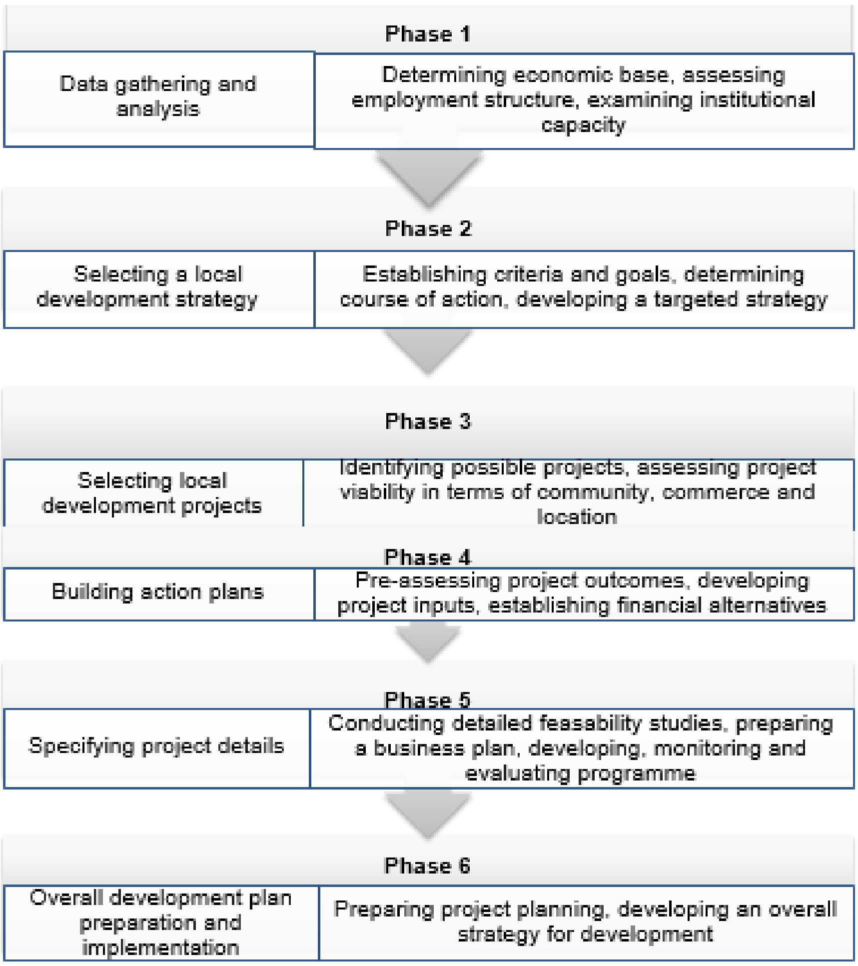
Source: Harrison *et al*, (2003:179)

The adaptability and flexibility of LED approaches have made them very popular in the developing world (Rodriguez-Pose & Tijmstra, 2005:4). According to Binns and Nel (1999:390) LED in South Africa has become synonymous with survival, self-reliance, poverty alleviation, service delivery, and competitiveness, as well as finding niche markets. The new approach to LED signifies the importance of mobilization of internal resources, skills and capacity to generate economic growth and address poverty. It is important for LED to be implemented in terms of the municipalities' local context, local economy and employment structure, local labour markets, the possibilities for social partnerships, as well as trade unionism (Harrison *et al*, 2003:180).

2.3.1 PLANNING PROCESSES FOR LOCAL ECONOMIC DEVELOPMENT.

Leigh and Blakely (2013:113) state that local economic development is aimed at delivering a product to the local community. The most important goal of any local region is job creation, higher levels of living and increased opportunities. Two important activities in the development process are identifying the planners and determining the geographic scope of the local region (Leigh & Blakely, 2013:114). Leigh and Blakely (2013:115) identified the six phases which are very important in the planning. Figure 2.6 is a representation of the phases and tasks of the Local Development Planning Process.

Figure 2.6: Six phases of the development planning process.

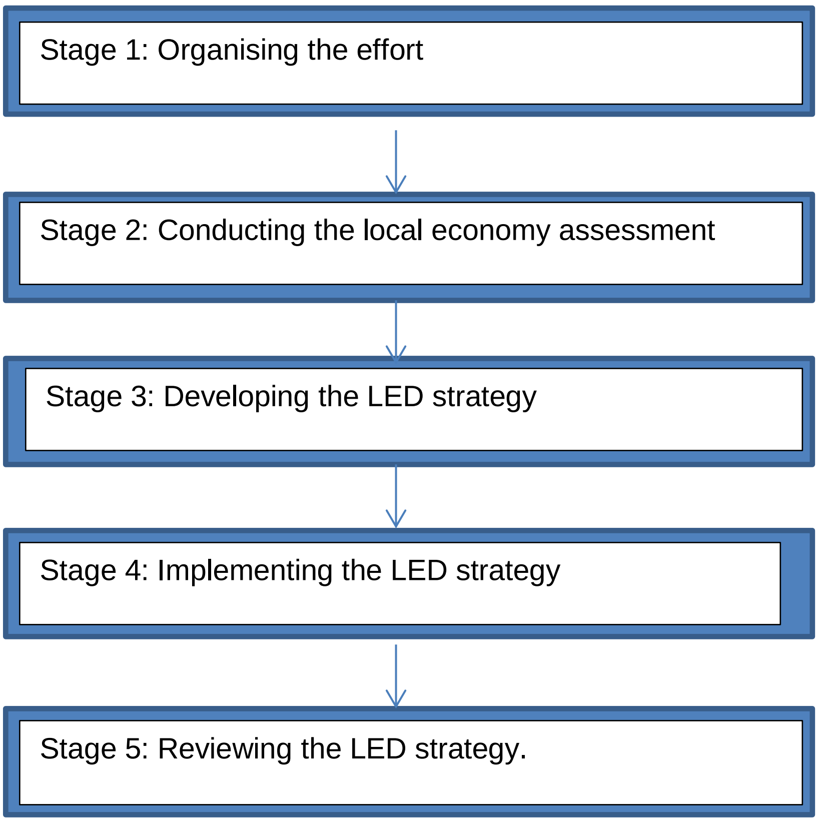


Source: Leigh & Blakely, (2013:117)

As seen in Figure 2.6, there are six phases which need to be considered when implementing a local economic development strategy. The first phase deals with problem setting by gathering the data and necessary information around the economic base. The second phase includes the selection of the most appropriate local development strategies, as well as the establishment of goals and criteria in order to implement the specific strategy. The third phase specifies the selection of the best projects in terms of viability of the location and the community. The fourth phase is the action plan build-up which needs re-assessing previous projects outcomes, establishing the financial alternatives and developing project inputs. The fifth and second last stage includes the specifications of the most appropriate business plan, as well as the development and monitoring of the programme. The last stage is the preparation of the project plan, as well as targeting and marketing the community assets.

An LED strategy will form an integral part of the broader strategy in the planning process for a city, region, rural area or town (World Bank, 2011). The World Bank implemented a five-step planning process which is important for the implementation of any LED strategy. Figure 2.3 gives an indication of the planning process of LED, according to the World Bank.

Figure 2.7: The Planning Process for Local Economic Development according to the World Bank.



Source: World Bank (2011)

As seen in Figure 2.7, the LED planning process has 5 different stages which need to be followed for the implementation of any LED strategy. According to the World Bank (2011) the five-step planning process may be tailor-made to suit the need. The process is not prescriptive, and may be adapted or altered at any time.

2.4 THE IMPORTANCE OF LOCAL ECONOMIC DEVELOPMENT ON SERVICE DELIVERY

The government is responsible for the delivery of basic services to all citizens in South Africa because the people are not able to satisfy all their own wants and needs. So the governing institution is responsible for active engagement in the practice of service delivery (Crous, 2004:574). In post-apartheid South Africa the access to basic service delivery was no longer only enjoyed by the minority of people within communities, but was implemented as right of the people in the country (Pretorius & Schurink, 2007:19). “Basic service delivery” was seen as a factor for the transformation of government on a local level (Pretorius & Schurink, 2007:19). Local Economic Development plays a significant role in social and economic advances, as well as in the creation of opportunities for participation within the economy (COGTA, 2009:3). In South Africa there are various policies and practices which need to be considered when evaluating the level of service delivery. These policies include the Constitution of the Republic of South Africa (1996), the White Paper on Transforming Service Delivery in South Africa (1998), as well as the Local Government Municipal Systems act. The following section includes a brief description of the role of these policies and practices in the transformation of service delivery.

2.5 LOCAL ECONOMIC DEVELOPMENT PRACTICES AND POLICIES IN SOUTH-AFRICA.

There is a direct relationship between local economic development and the improvement in service delivery (Scott, 2009). Decentralisation can have a significant impact on the effective and efficient delivery of basic services. Some of the reasons are that the local government will be more responsive to citizen’s preferences; this will lead to a better system to meet their specific wants and needs, and extra finances will be available to local government via tax revenues (Scott, 2009). Decentralisation may be seen as a way of addressing the specific responsibilities of the local government, but also to improve capacity while addressing service delivery problems. In South Africa there are numerous policies aimed at improving overall service delivery within the local government and transforming socio-economic aspects of society.

2.5.1 THE CONSTITUTION OF THE REPUBLIC OF SOUTH-AFRICA (1996)

The new Constitution of the Republic of South Africa (1996) shaped the way in which the local government is at the core of poverty eradication and the effective delivery of basic services. The following section describes the role of the Constitution of the Republic of South Africa (1996) in terms of developmental objectives and duties, as well as co-operative government and establishment of municipalities. According to the Constitution of the Republic of South Africa (1996) a municipality has the right to govern the local affairs of its communities, subject to the national and provincial legislation (Republic of South Africa, 2015). It is therefore very important for the provincial or national government not to interfere with the municipality's ability to exercise its power over the local sphere of government. A municipality should also manage and structure its planning, budgeting and administration processes in order to give priority to the basic needs of the people within the communities (Republic of South Africa, 2015). The objective of a local government is to ensure the provision of services to communities in an adequate and sustainable manner in order to promote social and economic development. For the municipalities, LED benefits the local communities, and it is therefore not voluntary, unconditional or optional (Van Rooyen, 2013). The provision of basic services by local government is a constitutional obligation in Part B of Schedule 5 of the Constitution which indicates that provisions of the following services fall within the role of government: electricity, water, city and town planning, storm and water drainage, emergency services, as well as waste management (Koma, 2010:111).

2.5.2 THE WHITE PAPER ON TRANSFORMING SERVICE DELIVERY IN SOUTH-AFRICA (1998)

The White Paper on Transforming Public Services (WPTPS) was first published on 24 November 1995, and sets out the eight transformation priorities amongst which Transforming Service delivery is key (DPSA, 1997:5). The main purpose of the White Paper is to establish a framework for the practical implementation of transformation in public service delivery, and as such, it primarily focuses on the effectiveness and efficiency of the way in which services are delivered (DPSA, 1997:5). The White Paper on Local Government (1998) asserts that apartheid has left its mark on municipal institutions and human settlements, and therefore transformation requires knowledge of the role of local government in the historic establishment of inequality and separation (Thobejane, 2011:18). The Local Government White Paper of 1998 reiterated that a "developmental local government" should be defined as a local government committed to work with citizens and groups within local communities in order to find sustainable ways to meet their economic and social needs (Schmidt, 2008). According to the White Paper on Local Government, basic services enhance the quality of life of citizens and increase their economic and social opportunities by promoting health, access to work, and by stimulating productive activities, as well as recreation (Republic of South Africa, 2015). The White Paper on Local Government sets out the following developmental parameters for local government (Ekurhuleni Local Municipality, 2002:2):

- Provision of household services and infrastructure,
- The creation of sustainable and liveable towns, cities and rural areas,
- Local economic development in terms of job creation and
- Community redistribution and empowerment

Public services are not a privilege of a democratic or civilised society, they are legitimate expectations (DPSA, 1997:7). This means that the local government should be functioning in a way which grants access to public services to all citizens, within the context of fiscal constraints and the fulfilment of basic needs (DPSA, 1998:8). The White Paper on Transforming Public Services is based on the eight Batho Pele “People First” principles which are: consultation, service standards, courtesy, access, openness and transparency, value for money and redress (DPSA, 1998:8). The White Paper is therefore directly linked with the public sector on both a provincial and a national level, which are regulated by the Public Service Act, 1994. The White Paper prescribesco-operative governance aimed promoting a coherent government which is expected at all sectors of the public administration (DPSA, 1998:8).

2.5.3 THE LOCAL GOVERNMENT MUNICIPAL SYSTEMS ACT.

The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) states that the mandate for local government is the fulfilment of their constitutional obligations to ensure effective, sustainable and efficient municipal services in order to promote economic and social development. The Local Government Structure Act further states that the mandate of local government is to encourage a healthy and safe environment by working with communities in creating human settlements in which everyone can lead dignified and uplifted lives. The Republic of South Africa (2000:76) states that the municipality remains responsible for ensuring municipal services which fall under the regulations of service provision. Basic services should also be assessed and monitored for the implementation of its service authority in the best interest of the local community (Republic of South Africa, 2000:76). The Local Government Municipal Systems Act, 1998 (Act 117 of 1998) is therefore directed at the establishment of certain policies and regulations in local government to ensure that services are provided in an equitable and transparent manner.

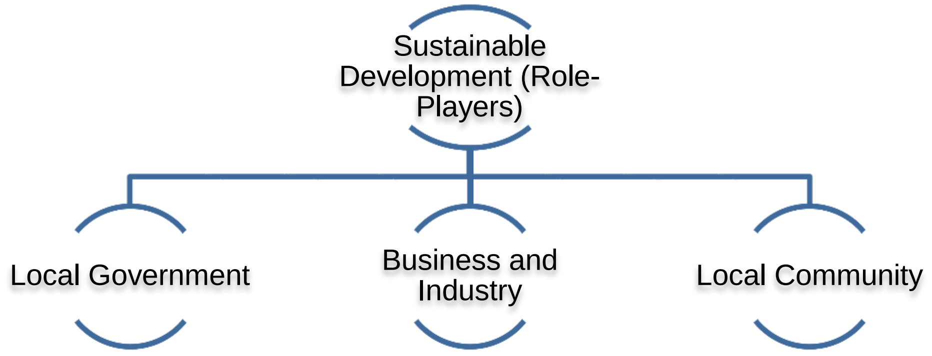
2.6 FACTORS CONTRIBUTING TO THE CREATION OF AN ENABLING ENVIRONMENT.

An enabling environment is one in which a favourable economic environment is created to support, in a sustainable and efficient manner, all private and public role players in their contribution to political, social and economic development (Van Rooyen, 2013). An enabling environment is required to maximise service delivery in the local community (Mahlangu, 2013:45). Furthermore, local business is one of the three pillars of partnership formation for the effective delivery of service in an environment which is sustainable for businesses (D'Amato, Henderson, & Florence, 2009:1). A private sector which shows signs of dynamics and economic growth is inevitably one of the most important factors in terms of the creation of an enabling environment. The United Nations Industrial Development Organisation (UNIDO) (2008) asserts that there are various factors which contribute to the creation of an enabling environment, including efficient bureaucracy, a well-maintained infrastructure development, as well as a functional educational system. Meyer (2014) identified the twelve factors which have a significant impact on the creation of an enabling environment within a local community:

2.6.1 PARTNERSHIP FORMATION.

Partnership formation is based upon the principle that the local government creates an enabling environment in which economic activities can take place, and where the participation of the public and the private sector is facilitated (Srinivas, 2015). For the private sector it means increased business opportunities with the objective of providing better services, products and sustainable technologies – which may contribute to sustainable economic development in the future (Russel, 2001:5). Partnership formation is based on the principle of extending the dialogue between local government, local businesses and community in general (Russel, 2001:5). Through efficient and effective partnership, managerial efficiencies, entrepreneurial spirit, access to finance and job creation initiatives are facilitated to the advantage of the private sector (Srinivas, 2015).

Figure 2.8: Three role-players in partnership formation



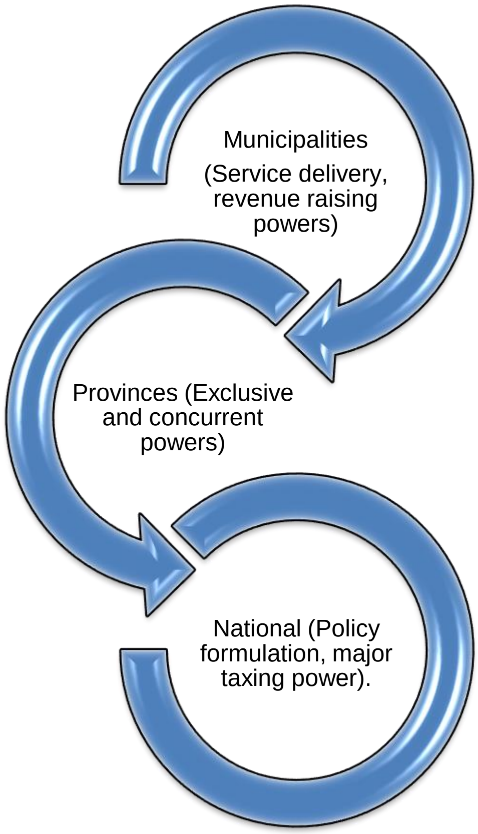
Source: Srinivas (2015)

Figure 2.8 is a depiction of the three role-players within the sustainable development framework. Macro-economic policy should be developed in order to create a framework for sustainable local environment. Srinivas (2015) suggests that the policies which should be aligned with the issues include: legislation rules, infrastructure improvement and special incentives, as well as those that deal with development and research in training and business support services. Marais (2012:89) states that partnership formation is the responsibility of the private sector, the local government and the local community that work together in order to improve the development of local communities. Savas (2000:31) states that partnership formation is based upon the effective co-operation and integration between the government, society and the business sector. The level of co-operation between the three role-players is integral to the foundation of a partnership. In South Africa commercial partnerships are needed in order to maintain a good relationship between the private and the public sectors for the provision of basic infrastructure and services (Eloff, 2001:5). Partnership creation is not only about the monetary values added to a specific project or plan, but it also involves the teamwork needed to address the socio-economic challenges faced by South Africans today.

2.6.2 STRUCTURES, POLICIES AND INITIATIVES

The regulation and structures of the local government is necessary in the accommodation and promotion of business development as well as the degree of policy implementation and capacity building (Rogerson, 1999:513). The South-African government consist of the national government, the nine provinces and 283 municipalities. According to the Constitution of South-Africa (1996) the different spheres provide development and service delivery in their own unique ways. The three spheres of government should be distinctive, interdependent and interrelated, however, they should still work together in order to make decisions based on budget, policies and activities (DPLG, 2007:8).

Figure 2.9: Current governance model



Source: DPLG (2007:8)

Figure 2.9 is a representation of the current governance model used in South Africa. The responsibilities of the national government are policy formulation and taxing. The provincial government has concurrent and exclusive power over the local government while the local government is responsible for service delivery and raising revenue (DPLG, 2007:8).

Local government should focus its spending and finances on the promotion of economic development, as well as the provision of basic needs (Meyer, 2014:15). The characteristics of a clear and proper tax management are very important in order to create a viable advantage for local manufacturers and businesses (Kramer, 2011:63). The division of responsibilities is a problem within the local government sphere, as it has proven to be a major source of contestation and tension (de Visser, 2009:17). Another important policy to consider within the local government sphere is the improvement of community participation through the active engagement in participatory governance (de Visser, 2009:19). Overall the municipalities' role and responsibilities should be focused on initiatives that add value to the local economy through skills development structures aimed at improving the employment rate. The structures, policies and initiatives should be aligned with the local, provincial and the national government. Structures and policies should be aligned in order to create an environment in which equal tax deductions on income and clean auditing are the norm.

2.6.3 POLITICAL LEADERSHIP

Leadership relies on management skills and requires attributes such as honesty, integrity, passion, commitment, a positive attitude and confidence (GGLN, 2010:6). GGLN (2010:6) further states that leadership consists of individual skills, but more importantly it relies on the institutional capacity of the local government. Todaro and Smith (2011:526) claim that political will includes the courage and ability to commit to accountability and transparency for the development of all citizens within the local community. In South Africa there is a partisan local political system, but there are also opposition political parties which run the various municipalities (Natalini, 2010:2). The proportional representation of the local government's electoral system hinder the partisan political system potential. As a result of political parties' nominations of unskilled personnel, poor decision making and poor managerial skills may be prevalent (Natalini, 2010:2). Political leadership is a critical component of the creation of an enabling environment as it focuses on the decisions made by the political party within a local government.

2.6.4 SOCIAL DEVELOPMENT INITIATIVES AND POVERTY ALLEVIATION

Development is not only important for a faster growth rate, but also for the creation of a more sustainable future (National Treasury, 2015:79). Social development refers to the human and social capital of the local community in terms of human, growth and economic development initiatives (Woolcock, 2002:19). Social development plays an integral role in providing poverty alleviation projects and the changing of laws, practices and regulations (Clark, 1993). The refining process of the ever changing laws and practices should be aligned with the process of eliminating low living standards and the improvement of quality of life (OECD, 2007:5). South Africa's economic growth rate has been much slower than anticipated. South Africa needs inclusive growth aimed at addressing social and economic problems (National Treasury, 2015:79). The provincial social development departments play an essential role in addressing the development needs of society's poor members (National Treasury, 2015:103). South Africa has taken major strides in addressing the problems of poverty alleviation and removing inequalities, and the improvements in expenditure programmes will have a major influence on removing inequalities and improving the living standards of people in local communities (Leibrandt *et al.*, 2010).

2.6.5 ECONOMIC DEVELOPMENT INITIATIVES

Environmental management, enterprise development and the need for a safe and stable community are some of the major aspects of economic development initiatives (Rogerson, 2011). Rogerson asserts that LED forms part of economic development initiatives, which refers to one of the core functions of local government. LED therefore works for an overall increase in production in agriculture, industry and mining. The local economy should be based upon the needs of surrounding areas in terms of export promotion (Enright, 2003:110). Strengthening the export promotion of the local region will enable the growth of direct investments in local communities, as well as enabling job creation initiatives (Helmsing, 2003:69). Wekwete and Chancellor (2014) state that job creation initiatives and the continued growth of business start-ups within local communities are needed in order to achieve sufficient levels of economic growth. Economic development initiatives are very important alongside of the determining of comparative and competitive advantages and the support of SMME's (Karaev *et al.,* 2007:820).

2.6.6 ENVIRONMENTAL AND SPATIAL PLANS

Spatial planning is crucial for the creation of an enabling environment in which social, economic and environmental benefits are provided (Rydin & Pennington, 2000:157). The benefits of an integrated spatial development framework include the creation of predictable and stable conditions for development and investments by securing community benefits from development and the prudent use of land resources (Rydin & Pennigton, 2000:158). Environmental and spatial plans involve the Spatial Development Framework (SDF), nodal and corridor development, as well as researched environmental management practices (Meyer, 2014:22). There are four major challenges which spatial planners face in implementing a framework for a specific geographical area. The four major challenges include the sectorial nature of policies, poor delivery mechanisms, lack of proper resources, as well as administrative boundaries (Fischer, 2010:63). In order to create a favourable enabling environment for businesses it is important for the local area to be accessible in terms of access to goods and services, as well as a clean physical environment (Arnold, 2013:118).

2.6.7 INFRASTRUCTURE DEVELOPMENT

Infrastructure is a very critical factor in ensuring the efficient functioning of an economy by stimulating growth and promoting employment. Periods of high unemployment and low economic growth will see government spending heavily on labour intensive infrastructure projects (Provincial Treasury, 2012:1). In South Africa, infrastructural development includes the improvement and development of road, water, rail, ports, electricity, schools and telecommunication for local communities (Provincial Treasury, 2012:1). The tertiary sector has received some infrastructure improvements from R71.5 billion in 1996 to R208.1 billion in the year 2012 (Provincial Treasury, 2012:1). Within the global context, South Africa is ranked 57th on the World Economic Forum Global Competitiveness Report in terms of quality of overall infrastructure (WEF, 2014:39). According to the Republic of South Africa (2016) infrastructure development projects are important for any country in terms of job creation and increasing economic growth within the various sectors of the economy. History has shown that the most appropriate tools for promoting economic growth are investment in internal infrastructure and contribution to investments in the tertiary sector (Kessides, 1993). Perkins (2011:212) states that investments in both social (human capital investments) and economic infrastructure (physical capital) are very important because they enable economic growth. Infrastructure backlogs are a major concern in South Africa as they seriously hamper economic activities (Perkins, 2011:24). The development of both social and economic infrastructure should be considered.

2.6.8 THE DEVELOPMENT OF HUMAN RESOURCES

According to HRDSA (2014) human resource development is necessary for local economic development as it measures the aggregate skills of a nation's workforce, but more importantly it focuses on the capacity and flexibility of the workforce in adjusting to the rapid changes in production, technology and trade organisation. The ability to respond to the ever changing efficiency and speed is something in which many countries seek a competitive advantage (HRDSA, 2014). Marketing, entrepreneurial development, a skilled labour force and the protection of workers are needed in order to balance the flexible labour regulations in a country (ILO, 2010). The policy framework in South Africa should be based upon the attainment of opportunity specific and broad-based human resource development strategies such as educational achievement, science and innovation, skills development and the market labour policies (Kraak, 2009:10). Therefore the development of human capital may lead to a better formal economy within the various sectors of the national government.

2.6.9 THE DEVELOPMENT OF ENTREPRENEURSHIP AND SMME'S

The development of entrepreneurs in society brings about job creation initiatives, as well as the development of management in any organisation (Nonaka, 1994:25). Someone opening their own business as a new idea creates market opportunities in the industry which fulfil people's specific needs and wants, and creates the opportunity of expanding export growth (Howkins, 2002). The growth of new business can be attributed to capacity building, the adoption of new services and goods, as well as the development of human resources (Nonaka, 1994:25). Local government should be able to provide an enabling environment for new businesses in the sense that it should create new opportunities for meeting a specific want or need of society (Gnyawali & Fogel, 1994:50).

2.6.10 ACCESS TO TRANSPORT OPPORTUNITIES

Transportation can enhance economic growth and increase the local customer base for services, such as shopping malls, educational facilities, medical facilities and rural transportation (Brown, 2011). Better access to markets, transport and ICT allow for economic opportunities within the local government (Sibisi, 2009:9). Access to better transport facilities will contribute highly towards the development of an area because it forms part of the overall infrastructure of the region in terms of access to local markets and other trade related transportation.

2.6.11 AGRICULTURAL DEVELOPMENT

In most of the developing countries for example Pakistan, India and Sri-Lanka the agricultural sector forms a large percentage to the contribution to gross domestic product (GDP) (Dasgupta *et al.,* 2007). Van Zyl *et al.,* (1996) reiterates that agricultural development plays a major role in enhancing food security, reducing poverty through rural development, reducing environmental impact on agricultural production as well as improving access to international agricultural markets. Aliber (2003:480) asserts that agricultural development plays a significant role in the elimination of poverty as well as the improvement in living standards. The agricultural development of both the Midvaal and Lesedi local municipalities are well structured and developed than in the ELM. Agriculture may be seen as a gateway to escape from poverty, because it enables rural communities to be more self-reliant and self-sufficient in terms of economic development initiatives.

2.6.12 THE IMPORTANCE OF SAFETY AND SECURITY

Crime prevention is another important factor in the creation of an enabling environment. High levels of crime will have a negative impact on society, local businesses and the environment (Carroll & Buchholtz, 2014). According to Todaro and Smith (2011:546), tackling the problem of corruption would increase public trust and lower levels of illegitimate private gain. In addition to this, as society grows wealthier; good governance needs to be maintained within the local government. Low levels of crime are associated with communities where development is the first priority and the safety of the citizens is highly valued (Lavrakas, 1982:485). Crime is considered a social problem which influences the development of the community, as well as the development of people. Various studies such as Cunningham (1978); Goulas (2012), Freeman (1999) and Levit (2006) reveal that high crime rates are usually associated with low levels of HDI (Human Development Index), and as a result influence the quality of human capital within a specific region

(Goulas & Zervoyianni, 2012:2). Given the importance of the safety and security within a specific region, the environment should promote job creation and skills development in order to improve on human capital.

2.7 PUBLIC SERVICE DELIVERY CONTEXT IN THE NEW DEMOCRATIC SOUTH-AFRICA.

Nleya (2011:4) reiterates that service delivery in South Africa is a disconcerting matter for various policy makers, as well as local government, which is responsible for the distribution of basic services. Mdlongwa (2014:239) describes the numerous challenges and constraints which face municipalities in delivering basic services to local communities, including problems in human resource development, service delivery backlogs, enforcements from the business community, as well as financial constraints and persistent non-payments. Akinboade et al (2013:468) also recognize some other possible causes for service delivery protests such as cultural cleavage, political adaptation and the demography and geography.

Currently, South African local authorities still face severe capacity constraints, as well as institutional weaknesses in delivering basic services efficiently and effectively. According to Khumalo, Ntlokokulu and Rapoo (2003:4) the most perceived lack of service delivery are inefficient and ineffective administrative structures, which are seen as a huge challenge for service backlogs in many of the poor communities. South Africa is known for the failures by local governments to deliver basic services to all the citizens – particularly the vulnerable and poor groups living in townships, informal and rural areas (Mathoho, 2012).

Poor service delivery will result in non-creation of an enabling environment, contributing to high levels of poverty, inequality and unemployment (Ahmad *et al.*, 2005). Governments must focus on the principles of good governance and effective public participation (Rhodes, 1996:652). Efficient delivery of basic services is therefore important for any local region to grow and prosper (Honadle *et al.*, 2003). Given that South Africa faces numerous socio-economic and structural economic problems, LED seeks to utilize the potential for each area, and to stimulate the adjustments of local economic systems to the ever changing economic environment (Rossouw-Brink, 2007). LED is therefore not only a tool used to strengthen the local environment, but also to overcome weaknesses in order to allow the local government to successfully confront the threats and opportunities faced in the external environment (Rodríguez-Pose and Tijmstra, 2005:38)

2.8 CONCLUSION

Given the importance of Local Economic Development on the local community, LED should be implemented by all municipalities as recognised by the Constitution of 1996. LED should be seen as priority by government, to create jobs and to stimulate the economy in terms of growth and development. There are various growth theories that have a major influence on the explanation of growth, such as Wagner's Stages of Development, the Brown and Jackson Model for Political Economics, the Peacock and Wiseman Displacement Effect, as well as Brown and Jackson's Microeconomic Model. These theories help to explain the role that the local government has in the overall economic growth of a region. The focus of this study is thus on public economics and regional economic development and the influence that these two different types of economic classes have on the South African economy. LED focuses largely on creating jobs for the people and improving the living standards of people in the different communities. It is also based upon economic principles such as economic diversification and building capacity, as well as the recognition of comparative and competitive advantages. Various theories are based upon local economic development, such as the Von-Thunen Model and the Big-Push theory.

The planning process is an important aspect to consider when implementing an LED strategy. The World Bank identified five strategies which are important to implement in a local community. LED is necessary for service delivery as it enables the recognition of the communities' specific wants and needs. In South Africa there are various plans and policies in place that support the implementation of service delivery projects and plans, such as the Constitution of the Republic of South Africa (1996), the White Paper on Transforming Public Service Delivery (1998) and the Local Government Municipal Systems Act, all of which are very important in addressing service delivery issues within a local community. As part of enhancing service delivery within a local community there are twelve factors which need to be considered in order for economic development to take place. The next chapter will focus on the study area profile of the Sedibeng District Municipality. The focus of this chapter is to evaluate the local economy in terms of development, geographical and social indicators. The various sectors of the three municipalities will also be evaluated in terms of value added to the local region's economic growth.

The next chapter will focus on the study area profile of the Sedibeng District Municipality. The focus of this chapter is to evaluate the local economy in terms of development, geographical and social indicators. The various sectors of the three municipalities will also be evaluated in terms of value added to the local region's economic growth.. Chapter 3 specifically aims at giving the reader a brief overview of the municipal structure, the total employment and the contribution of each sector towards the total GVA

CHAPTER 3: PROFILING OF THE SEDIBENG DISTRICT MUNICIPALITY

3.1 INTRODUCTION

The Sedibeng District Municipality is situated in the southernmost part of the Gauteng province, and is the third largest contributor to the economy of the Gauteng province (The Local Government Handbook, 2016). Efficient and effective service delivery is one of the core goals within the municipality in ensuring that the needs of the local residents are being met. Sustainable development policymaking is the first step in making this a reality. 'Asymmetrical development' is a term that defines the significant differences in socio-economic problems that were inherited from South Africa's past, and which have largely contributed to the current development problems in the country (Fast & Kali, 2012:1). Public policy is therefore a first priority in the development policymaking process (Dukeshire & Thurlow, 2002:1). Policy development is seen as a way of identifying the wants and needs of people in the different communities, and developing a framework to address the economic and social challenges that they face. As a part of integrated development planning, a municipality is responsible for the necessary and reasonable steps within the national and provincial legislation to ensure that services such as sanitation, electricity, roads, water and storm drainage are provided in an economically efficient manner (Craythorne, 2006:32). Development policymaking can be seen as a tool for local government to provide these services in a more effective and efficient manner. Development policymaking may be seen as a tool for the local government in providing service delivery to household and businesses in a more effective and efficient manner. The main objective of this chapter is to evaluate an economic analysis of the geographical study area, with the focus specific development indicators such as the HDI, the Gini coefficient, employment per sector and the total GVA per sector.

3.2 DEFINING DEVELOPMENT POLICYMAKING

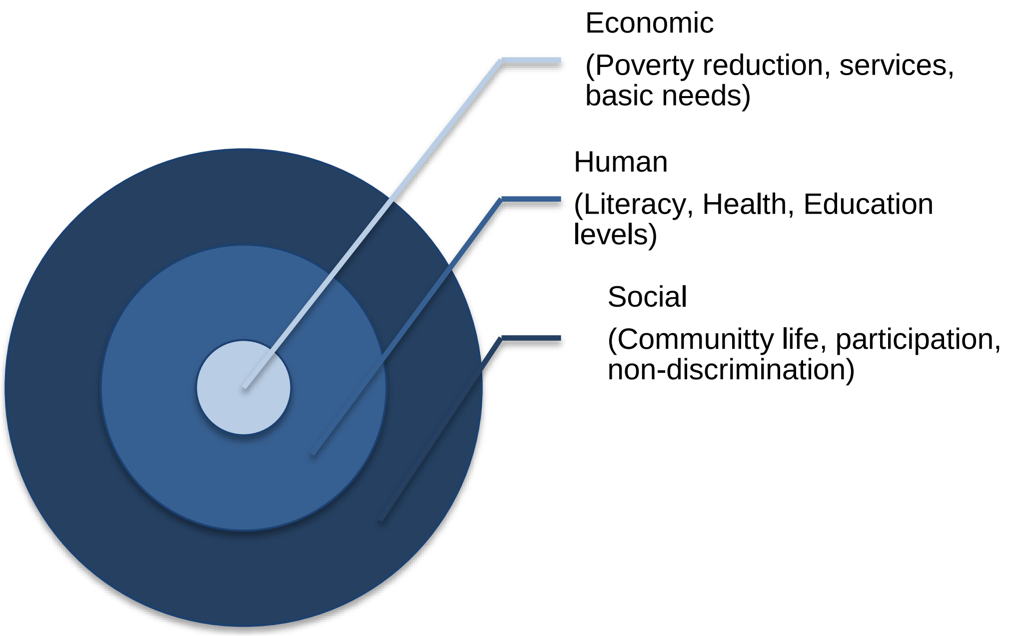
Local policymaking is most often not understood or known within communities, yet policymaking plays a significant role in a town, city and nation's legislative bodies (Yukubousky, 2000:1). Public policy has a huge influence on the determination of services provided to the various communities, the level of development within the community, and the future projects or plans that will be implemented in the future (Yukubousky, 2000:1). Elected council members then have the responsibility of identifying and determining the most appropriate development plans that need to be implemented within a certain region (Tötemeyer, 2001). Local economic planning is defined as a deliberate governmental attempt to coordinate certain economic decisions over the long term so as to influence the level of growth of other economic variables, such as consumption, employment, investment, exports and imports, to achieve a set of development objectives (Todaro & Smith, 2011:513). Development policies are, however, defined as the policies aimed to strengthen the productive structures in a local economy (Melo & Rodríguez-Clare, 2005:5). The development structures therefore work to improve the competitiveness and growth of the different sectors within the economy, such as agriculture, wholesale and retail, manufacturing, and tourism, and more specific sectors, such as the automobile industry, textiles, and steel production. These structures also aim to improve growth in the most key activities within a community, such as exports, research and development, and human capital formation (Melo & Rodríguez-Clare, 2005:5). Melo and Rodríguez-Clare (2005:5) further explain that development policies are not only aimed at government, but should also be applicable within the business environment and the institutional framework in which it operates. Todaro and Smith (2011:513) state that development policies are sometimes hard to implement because of factors such as unreliable and insufficient data, institutional weaknesses, a lack of political will, as well as unanticipated economic disturbances. It is important for any regional policy development practitioner to have a great understanding of the study region and the overall economic stance, because these decisions will have a major influence on the pre-implementation of certain policies. The local economic performance is mostly associated with the national economic outlook, and as such it is important to evaluate the global and national economy in order to have an idea of local economic performance (Gale & Samwick, 2014). This chapter will focus mainly on the overview of the Sedibeng District Municipality with specific reference to the geographical study area, the economic performances and the employment per sector in the economy.

3.3 DEVELOPMENT FUNCTIONS AND SERVICE RESPONSIBILITIES OF LOCAL GOVERNMENT IN SOUTH AFRICA.

3.3.1 DEVELOPMENT FUNCTIONS OF LOCAL GOVERNMENT

The Constitution of the Republic of South Africa (1996) states that local government should be developmental (Rossouw-Brink, 2007). In the case of local government, it is stated that economic and social development should manage and structure the budgeting, administration and processes of planning to fulfil the basic needs of the people in the community, and to participate in provincial and national development programmes (Craythorne, 2006:32). A developmental local government carried out the “effective and efficient vision by the local government that addresses the needs and wants of all, especially for the vulnerable and poor groups in communities” (Nel & Binns, 2001:35). Local development activities such as marketing, regulations, tax reductions, and investment in infrastructure are some of the most important tools to be used in local economic development initiatives (Morgan, 2009:2). Morgan (2009:2) further finds that development policies are used to establish the interest of the public, address issues faced by previously disadvantaged communities, and add accountability as the first priority in the finance of development planning. Economic and social development are irreplaceable in the local government of a country, and as such, human development plays a significant role in the satisfaction of human social needs (Fao, 2010:3). Social development is associated with the broader development process of empowering individuals and initiating self-actualisation (Craythorne, 2006:143). The social needs of society can be summarised through the following spectrum of economic, human and social needs.

Figure 3.1: Spheres of Development



Source: Fao (2010:3)

The first circle is associated with improvements in socio-economic problems such as poverty, basic services and needs. This circle is normally linked to the provision of sufficient resources and meeting basic needs in terms of poverty alleviation. Economic development is required for the sustained increase GNI per capita, purchasing power, and income distribution (Gwartney, Stroup, Sobel & Macpherson, 2014:89). The second circle is based on the human development characteristics of people in communities, involving education, health and literacy levels (Gwartney *et al.*, 2014:89). In measuring the human development level of a country, the Human Development Index (HDI) and the Physical Quality of Life Index (PQLI) are usually referenced (Bérenger & Verdier-Chouchane, 2007:1265). The third and most important circle in the diagram is the empowerment of individuals through networks, norms and civic commitments that enable collective inclusion, action, and social accountability. Social development comprises the improvement of community life based on ethnicity, gender and the absence of friction between ethnic and social groups, which generates insecurity, criminal violence, and conflict (Fao, 2010:3). Cooperation and collective norms ensure the effective and efficient provision of public goods and services by local government (Ostrom, 2014:240). The Department of Provincial and Local Government Affairs (DPLGA, 2010) has established six strategies that need to be implemented within South Africa, these include:

- Industrial recruitment and place-marketing: Industrial recruitment assists in recognising consumers' specific wants and needs, adding value and satisfying consumers' expectations. Industrial recruitment also enables the production of more services and goods that other firms or people are willing to buy (Rainisto, 2003:33)
- Small, medium, and micro enterprises (SMME) development and support: Small, medium, and micro enterprises have a significant impact on the local economy due to the large workforce and the total number of SMMEs in South Africa. SMMEs therefore provide work opportunities and grow the economy in an adequate manner (Tlhomola, Rankhumise & van Niekerk, 2011:3).
- Local community development: The active engagement of all participants in the local community needs to be considered in identifying the wants and needs of community members. Local community development should further be considered in the form of partnerships as it enhances communication between local government, businesses and the community (Rodríguez-Pose & Tijmstra, 2005:40).
- Export promotion strategies: The focus here should be on the promotion of export in local regions rather than import substitution. Export promotion helps to create job opportunities for the people in local communities in producing products that will satisfy the needs of community members (Froning, 2000:15). The replacement of cheap exports from other countries influences job creation in the region. Promoting export activities will thus influence the local workforce in a positive manner and reduce the number of imports from countries such as China, which influences local steel manufacturing in a negative way.
- Business improvements and expansions: Improving business activities and expanding business will definitely have a positive influence on the development of local communities.
- Foreign investment: This is aimed to alleviate poverty, support local businesses, and expand business development.

Therefore it can be seen that development carried out by local government creates jobs and improves the living standards of people in the various communities (SDM, 2014). Local Economic Development should be practiced in South Africa as it addresses challenges and provides help from external sources, business investment and support, as well as building capacity (Meyer, 2014:624).

Municipalities should be operated independently from industries and businesses as the private sector and local businesses are motivated by profit maximisation, while the public sector is motivated to enhance service delivery (Craythorne, 2006:144). The private sector does, however, contribute a large percentage to local investments, which leads to job creation and better resource distribution (Craythorne, 2006:144). Local government should, nevertheless, create a space for local communities to participate in the development of their local region. The constitution of the Republic of South Africa (1996) sees local government to be a developmental agent in which constitutional obligations and development roles are identified, and seen as a key for achieving development objectives (Olivier, Van Zyl & Williams, 2010). The Constitution of the Republic of South Africa (1996) states that local government should act as a development agent that focuses on development duties and constitutional objects, which are key priorities in achieving development objectives. De Visser (2009:9) has established three features that a local developmental government should be characterised by:

- Improving social development, and maximising economic growth and development: It is the vision of local government to promote its functions and powers in a way in which economic and social development are improved within local communities.
- Local government must coordinate and integrate the development activities of other public and non-public entities within the municipal area.
- Learning and leading: Local government should enhance social capital, stimulate local political leadership, and find solutions that support increasing overall sustainability.

Local government should also support and engage in direct action to enhance economic development within a specific region. According to Torjman and Leviten-Reid (2003), the most important aspects in supporting economic development initiatives include:

Skills development: Skills development comprises direct connection between growth, employment opportunities, and development objectives (Kawar, 2011:2). If local government were to invest in the productivity and skills of workers, it would enable higher income, and thereby reduce poverty (Johanson & Adams, 2004).

Job creation: In development economics, job creation forms one of the most important indicators of development as it raises productivity, improves social development, and increases living standards (Datta, Grover, Leyva, Oikawa & Shi, 2012:4). As the main source of income, jobs improve human capital in the long term, and reduce poverty (DFID, 2015:6). Local municipalities therefore need to create a space in which businesses are improved as this promotes skills development and creates decent jobs (Sedibeng District Municipality, 2014). Job creation has a significant impact on the unemployment levels of the local municipality (Republic of South Africa, 2016).

3.3.2 MUNICIPAL SERVICES DELIVERY FUNCTIONS AND RESPONSIBILITIES.

The National government is responsible for creating an enabling environment that supports institutional municipal infrastructure, and the implementation and planning of municipal infrastructure (DPLG, 2015:18). This is needed to strengthen the policies and implementation of municipal infrastructure development in a local government sphere (DPLG, 2015:18). The development of infrastructure is very important in terms of project-based and programme-based activities, which are dependent on proper resources in terms of funding and skills (DPLG, 2015:19). Municipal service delivery plays an integral role in the development and growth of a local economy (Khumalo *et al.*, 2003). Sections 152 and 153 give a reflection of the development duties of local municipalities in terms of sustainability (Craythorne, 2006:153). The constitution stipulates that services must be provided in a fair, equitable manner without bias (Craythorne, 2006:153). In terms of provision in section 156(1) of the Constitution, a district municipality should provide the following services to their citizens (Craythorne, 2006:156):

- Integrated development planning for the district municipality as a whole, including the framework for the integrated development plans of all municipalities;
- Adequate water supply systems;
- High supply of electricity, which includes the transmission, distribution and generation of electricity;
- Domestic waste-water and sewage disposal systems;
- Sites that regulate solid waste disposal;
- Municipal roads, which form a major part of the road transport system within the area of the district municipality;
- Municipal health services;
- The establishment and control of fresh market produce, abattoirs, and markets serving the area shared by several municipalities in the district;
- The promotion of local tourism in the area of the municipality;
- The receipt and distribution of grants; and
- The collection of taxes, duties, and levies as related to the above functions or assigned to the district municipality in terms of national legislation.

One of the most important factors that needs to be considered is the cost at which the service is provided (ETU, 2016). The municipality should provide a certain service at the appropriate cost associated with the provision of the selected service (ETU, 2016). Local government must provide basic services to the community with the aim of bolstering economic and social development within the local government (Pretorius & Schurink, 2007:19).

3.4 DEVELOPMENT OBJECTIVES IN THE SEDIBENG DISTRICT MUNICIPALITY

According to Vyas-Doorgapersad and Zwane (2014:74), the SDM area is characterised as providing basic services that are insufficient and ineffective. Vyas-Doorgapersad and Zwane (2014:74) further find that the integration and communication plans between the three local municipalities are inadequate and insignificant. Socio-economic problems, such as inequality in incomes, and high levels of poverty are the two major obstacles influencing people's living standards in rural areas. Migration and a lack of infrastructure are two of the development objectives that influence the development process within the SDM (Vyas-Doorgapersad & Zwane, 2014:74).

The vision of the Sedibeng District Municipality is to build the municipality towards a "Metropolitan Municipality River City" of choice (SDM, 2016: i). The mission of the Municipality a sustainable Integrated Service Delivery that supports and enhances the municipality to achieve economic development and sustainable growth (SDM, 2016: i). Service delivery seems to be one of the most important issues that needs to be addressed. The strategic objectives of the District Municipality as provided by the Integrated Development Plan (SDM, 2016: i) includes:

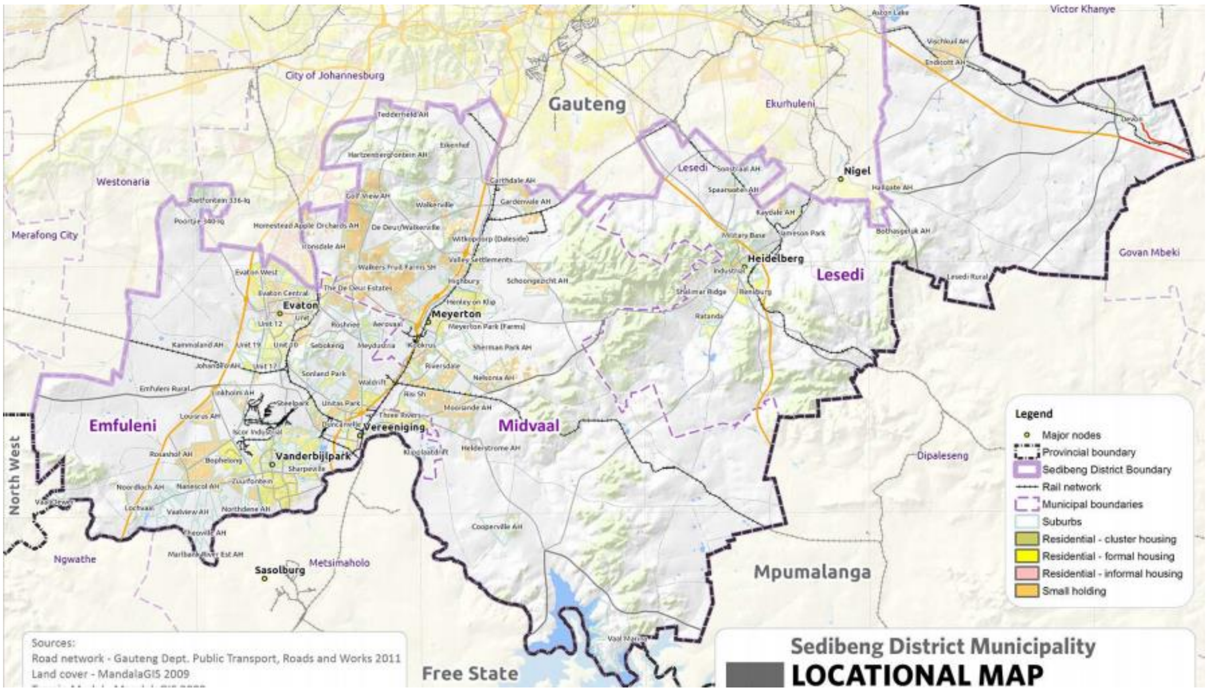
- The promotion of effective and efficient Integrated Services aimed at addressing the environment development and socio-economic challenges within the local community.
- Ensuring management practices aimed at the promotion of good governance.
- The effective delivery of basic services.

The following section provides a brief economic overview of the Sedibeng District Municipality in terms of the basic geographical information. Specific emphasis is placed on demographic information, as well as the population density of each of the three local municipalities.

3.4.1 LOCATION AND GEOGRAPHICAL BACKGROUND OF THE SEDIBENG DISTRICT MUNICIPALITY

The Sedibeng District Municipality is regarded as a Category C municipality, which is defined as a municipality that has municipal legislative and executive authority in a specific municipal area, which may include more than one municipality (Republic of South Africa, 2015). The total geographical area of the Sedibeng District Municipality covers the entire southern part of the Gauteng province in South Africa, which extends approximately 4 620 square kilometres (km^2), of which Emfuleni covers 1 275 km^2 (27.60%), Lesedi covers 1 040 km^2 (22.40%), and Midvaal contributes the largest land area of 2 310 km^2 (50%) (StatsSA, 2016c, SDM, 2016: b).

Figure 3.2: The three local municipalities within the Sedibeng District Municipality



Source: Sedibeng District Municipality (2016: b)

The Sedibeng District Municipality consists of three local municipalities, namely: the Midvaal Local Municipality (MLM), the Lesedi Local Municipality (LML), and the Emfuleni Local Municipality (ELM) (Van Vuren, Grobler & Pelupessy, 2008:2). The total population size of the Sedibeng District Municipality is 963 954 people, with a density of 560 square miles (StatsSA, 2016c). The district municipality includes towns such as Vanderbijlpark, Meyerton, Heidelberg and Vereeniging, with the major townships including Sebokeng, Boipatong, Sharpville, Bophelong and Everton (The Local Government Handbook, 2016).

Table 3.1: Sedibeng District Municipality overview

	Emfuleni Local Municipality (GT 421)	Midvaal Local Municipality (GT 422)	Lesedi Local Municipality (GT 423)	Sedibeng District Municipality (DC 42)
Municipal Information				
Area (km^2)	1 275 km^2	2 310 km^2	1 040 km^2	4 620 km^2
Towns and cities	Sebokeng, Vanderbijlpark, Vereeniging, Evaton, Sharpville.	Meyerton, De Deur, Walkerville, Vaal Marina, Eikenhof.	Heidelberg, Devon, Vischkuil.	(Includes all the cities and towns from three local municipalities).
Demographic Information				
Population	721 663 (78.7%)	95 301 (10.4%)	99 520 (10.9%)	916 484
Households	220 135 (78%)	29 965 (10.7%)	29 668 (10.6%)	279 768
Household size (average)	3.30	3.20	3.40	3.30
Population Growth (p.a.)	0.92%	3.94%	3.26%	1.43%
Population density				
People per km2	565 p/km^2	41 p/km^2	95.5 p/km^2	197.9 p/km^2
Households per km2	172.5hh/km^2	12.9hh/km^2	28.4hh/km^2	60.4hh/km^2
Main economic sectors	Manufacturing.	Manufacturing.	Manufacturing and agriculture.	Manufacturing and agriculture.

Source: Sedibeng District Municipality (2016b).

From Table 3.1, it is clear that the Midvaal Local Municipality has the highest area in square kilometres, however, the municipality has the lowest population rate. The Emfuleni Local Municipality has the highest population size, however, the municipality has the smallest land area at 1 275 km^2. Table 3.1 therefore indicates that the Emfuleni Local Municipality has the highest population growth, yet have the smallest land space available. The main economic sectors in the region are the manufacturing sector and the agricultural sector in the more rural areas.

3.5 ECONOMIC ASSESSMENT OF THE STUDY AREA

A rapid assessment may be defined as the process of gaining an understanding of a certain situation in which the issues are not well defined, and there are insufficient resources to conduct any long term, traditional qualitative research (Beebe, 2005: 286). Firstly, the global economy is looked at in terms of economic growth and price inflation, secondly a short overview of the South African economy is provided, and finally, an assessment of the Sedibeng District Municipality is performed.

3.5.1 GLOBAL ECONOMIC OUTLOOK

According to the World Economic Outlook (2016), in 2015 the growth of the global economy remained slow and underdeveloped, with growth remaining minimal and unstable, although there was a moderate recovery in some developed countries. The World Economic Outlook (2016) further clarifies that growth in the world economy is due to the moderate growth in China's services and consumption, rather than growth in manufacturing, lower world energy prices and strict monetary policies enfored by the central bank.

Table 3.2: Annual percentage change in consumer price inflation (CPI) and Gross Domestic Product (GDP), IMF forecasts for 2015-17

Region/Country						
	2015	2016	2017	2015	2016	2017
Developed countries	GDP projections			CPI projections		
Europe	1.5	1.7	1.7	0.2	1.0	1.3
Japan	0.6	1.0	0.3	0.7	0.4	1.6
United States of America	2.5	2.6	2.6	0.1	1.1	1.8
Developing countries	GDP projections			CPI projections		
Russia	-3.7	-1.0	1.0	15.8	8.6	7.3
India	7.5	7.5	7.5	5.4	5.5	5.4
China	6.9	6.3	6.0	1.5	1.8	2.2
Brazil	-3.8	-3.5	0.0	8.9	6.3	5.2
Sub-Saharan Africa	GDP projections			CPI projections		
South Africa	1.3	0.7	1.8	4.8	5.9	5.6
Gauteng	1.8	1.2	1.4	4.6	5.2	5.0
Sedibeng	1.2	0.9	1.0	4.7	5.4	5.2

Source: Republic of South Africa (2016b)

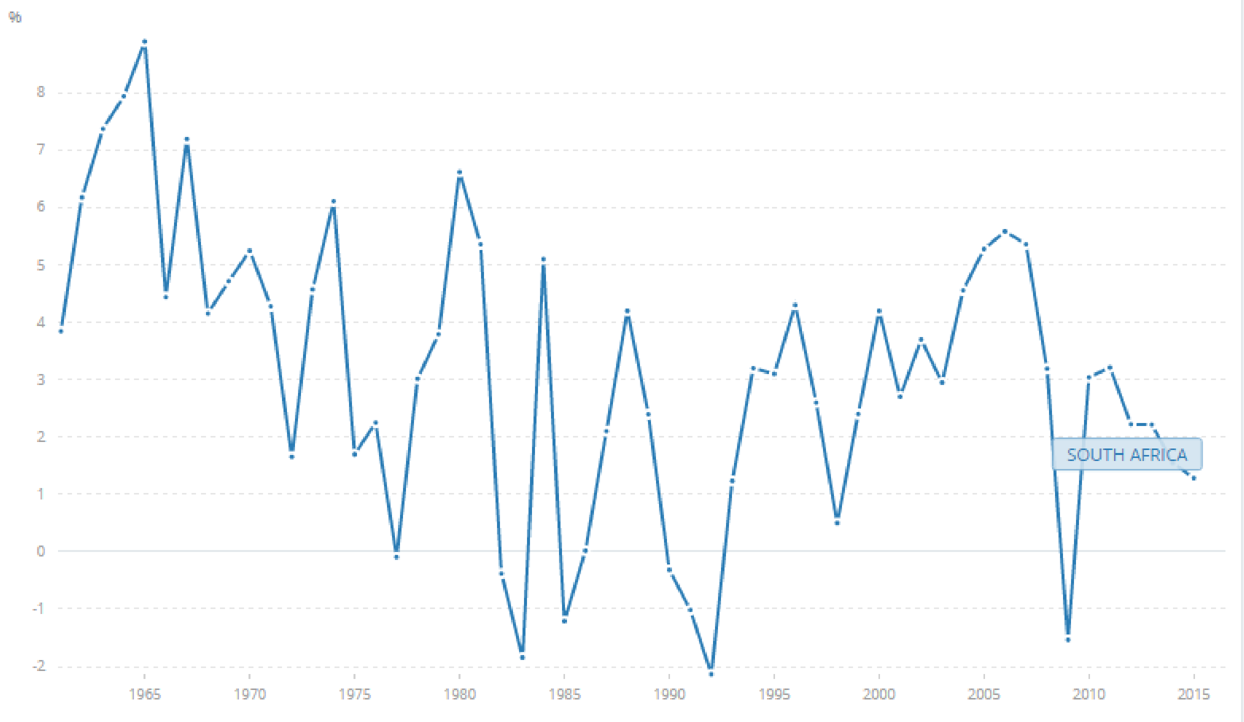
Table 3.2 gives an indication of the economic forecasts across the world, which show the lower economic growth discussed. The shifts in China's local growth and expenditure, and the reduction in manufacturing exports has led to a steadily decline in global growth (Republic of South Africa, 2016b). Imbalances in the world economy, such as slow economic growth and price instability, together with other non-economic factors, such as political instability, are all factors that influence risk and uncertainty in terms of economic decision making (IMF, 2016:1). The IMF (2016) explains that the slowdown in global investments has a direct relationship with declining real growth in imports. China plays a significant role in global trade (more than 11%) and global investments (more than 20%), and is therefore seen as one of the most powerful economic nations in the world (IMF, 2016). Overall, the global economy has shown some instability in terms of economic growth and instability in world commodity prices, accompanied by a total decline in China's trade balance. Political instability and slow growth are two of the most dominant factors that have caused weak economic performances in both developed and developing countries. The GDP for both the Gauteng province and the Sedibeng District Municipality show similar numbers to those of Gauteng and South Africa, indicating that there is an insignificant difference in the economic indicators at national, provincial and/or local level.

3.5.2 SOUTH AFRICA'S ECONOMIC OUTLOOK

In the South African economy, growth was expected to be 0.8% in 2016, while the growth for 2017 is expected to be at 1.6% accompanied by growth in business and consumer confidence (Republic of South Africa, 2016a). The depreciating Rand is putting severe pressure on the fiscal policy in South Africa, which is compounded by severe effects of the recent drought experienced by the agricultural sector (Republic of South Africa, 2016a). The South African fiscal policy is under severe pressure due to unstable management decisions, corrupt practices and political instability. Despite these severe challenges faced by the South African government, the partnership between the private sector and government is strengthening in implementing the economic structural changes as set out by the National Development Plan (NDP) (Republic of South Africa, 2016b). South Africa needs an institution that is aimed at promoting transparency and accountability in the economic framework in which both monetary and fiscal policies are implemented in a sustainable approach (World Bank, 2016).

Globalisation is one of the key factors contributing to integrated economic development in both developing and developed countries. Muhammad, Faheem, Dost and Abdullah (2011:291) define globalisation as the integration of various economies in terms of trade in goods and services around the world. Merging national markets into one huge global market place has a negative effect on local employment and production due to the unrestricted trade barriers (Muhammad *et al.,* 2011:293). Policies that promote development and trade strategies should be more introspective than outward-looking in terms of the situation in South Africa (Pahariya, 2008). Local policymaking should be aimed at self-reliance, which includes the implementation of trade barriers on imports, the development of technology, and the discouragement of foreign investment (Todaro & Smith, 2011:593). It is imperative for local government to stimulate employment in terms of import substitution and export promotion in which the government aims to expand exports and replace consumer imports (Todaro & Smith, 2011:594; Pahariya, 2008).

Figure 3.3: South Africa GDP growth rate



Source: World Bank (2016)

Figure 3.3 gives an indication of the growth in GDP for the South African economy from 1960 up until 2016, where the most recent data shows relatively low economic growth close to 0%. South Africa still faces numerous fiscal challenges in terms of unemployment, income inequality, low-skilled labour, and low investments in infrastructure (Organisation for Co-operation and Development, 2016). According to the OECD (2016), the National Development Plan (NDP) aims to reduce poverty and inequality within local communities by the year 2030. Given that these policies were aimed at promoting economic development in South Africa, none of the flagship development plans have really succeeded in addressing socio economic problems. The most recent National Development Plan aims to improve job creation and reach sufficient levels of economic growth, which includes the creation of 10 million jobs and an improvement of GDP growth by 5.5% (OECD, 2016). Overall, the development and growth of the South African economy has been insufficient, and the policies of the National Development Plan need to be strengthened in order to achieve the development objectives set out therein.

3.6 ECONOMIC DEVELOPMENT INDICATORS FOR THE SEDIBENG DISTRICT MUNICIPALITY

3.6.1 ECONOMIC OVERVIEW OF THE SEDIBENG DISTRICT MUNICIPALITY

The economic development of the Sedibeng District Municipality is closely linked to large development in manufacturing, and the important role of the steel value chain (such as the steel industry of Arcelor Mittal) (Meyer, 2015:6). The steel industry plays a significant role in the local economy in which diversification is needed, however, due to the large role of globalisation it has become difficult to remain competitive in providing quality steel and competitive prices (Meyer, 2015:6). The negative effects of globalisation are threatening the local municipality in terms of cheap steel imports from countries such as China, which create barriers to growth in the manufacturing sector (SACN, 2015). The various constraints on both a local and national level will have a significant impact on future economic growth within the Sedibeng District Municipality.

Table 3.3: Comparison of economic indicators

Indicator	Gauteng		Lesedi		Emfuleni		Midvaal	
	2000	2015	2000	2015	2000	2015	2000	2015
Demographic information								
Population Growth Rate	2.3%	2.1%	2.5%	2.9%	0.5%	0.9%	2.8%	2.6%
Household Size	3.3	3.1	3.5	3.2	3.6	3.3	3.1	3.2
Population Density*	492.8	722.1	53.2	72.2	660.2	757.7	36.5	60.7
Economic Development Indicators								
Human Development Index	0.65	0.72	0.55	0.67	0.59	0.68	0.63	0.73
Gini Coefficient	0.64	0.64	0.67	0.66	0.63	0.63	0.63	0.63
Level of Urbanisation	94.9%	95.3%	58.3%	59.1%	97.4%	97.1%	57.3%	56.7%
Infrastructure Basic Index	0.80	0.83	0.72	0.79	0.79	0.86	0.73	0.77
Crime Index****	216.0	117.1	186.67	97.40	184.0	93.5	311.0	127.8
Social Economic Development Indicators								
Poverty Levels**	44.8%	34.1%	58.4%	38.8%	56.4%	41.7%	37.4%	26.5%
Literacy ***	81.8%	90.9%	74.9%	88.4%	79.2%	89.1%	75.2%	87.6%
% of Households in Informal Housing	25.3%	21.6%	22.4%	31.1%	18.5%	17.8%	17.7%	29.9%
Economic growth indicators								
Tress Index	49.2	49.9	35.2%	38.4%	61.9	54.4	45.9	37.7
Economically Active Population	47.4%	49.1%	39.2%	42.9%	40.1%	45.0%	47.1%	47.9%
Trade Surplus per Capita (R1 000)	0.9	-1.2	-8.5	-3.6	-20.8	-4.0	3.7	1.8
Average Income per Household (x1000)	90.3	226.4	67.9	187.6	60.6	165.6	89.1	307.9
Unemployment	26.0%	26.3%	35%	37.4%	34.8%	44.9%	12.9%	23.5%

*Number of people per km² ** Share below upper poverty line ***Functional literacy: age 15+, completed grade 7 or higher ****Weighted average / 100 000 people

Source: Global Insight (2016)

The following section will be evaluated in terms of the economic performance of the Sedibeng District Municipality. The section will be devided into four categories namely the demographic information, economic development indicators, social economic development indicators as well as economic growth indicators.

3.6.1.1 DEMOGRAPHIC INFORMATION

The population growth rate grew both in Lesedi and Emfuleni, while the population growth rate for Midvaal and Gauteng declined. The household sizes for both the Gauteng and Emfuleni areas declined by approximately 0.2%, while the average household sizes declined by 0.1%. The Gauteng and Emfunleni areas have an average population density of 740 people per km^2, while the Midvaal Local Municipality only has 71 people per km^2. From the information given, it can be concluded that the ELM and the Gauteng province are highly urbanised, while the MLM and LLM are predominantly rural in nature. The average economic active population for the SDM is 46% which is just beneath the average economic active population of Gauteng at 49%. Between the three local municipalities, the Midvaal Local Municipality has the highest economically active population and the lowest population density, however, the ELM has a higher population than the other two local municipalities combined.

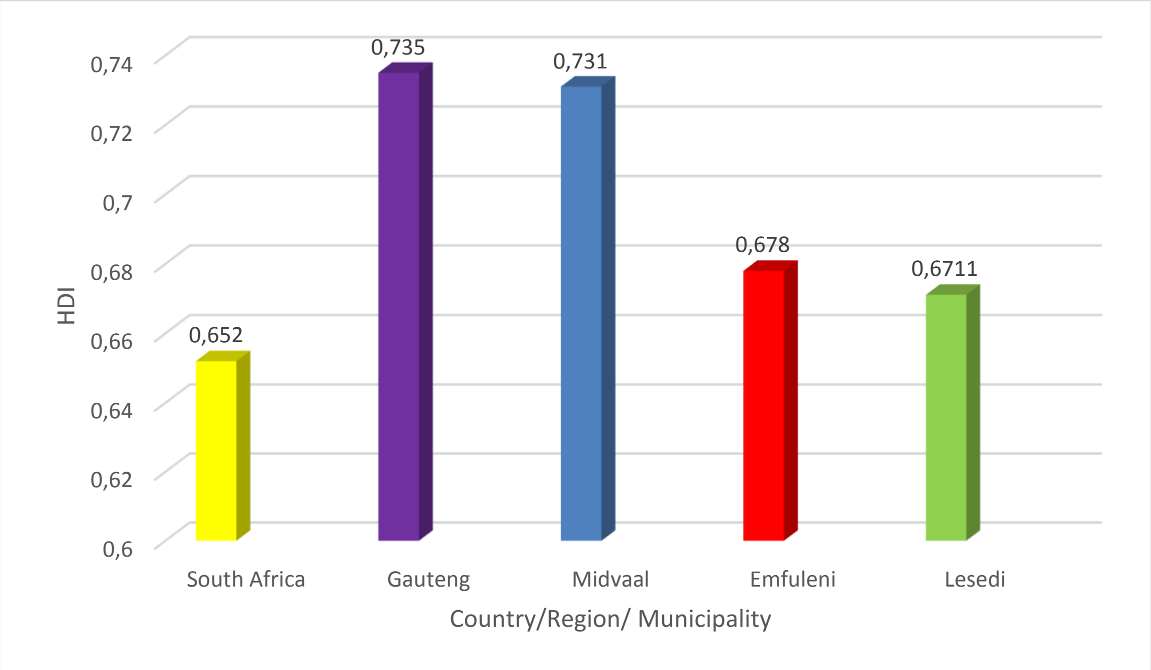
3.6.1.2 ECONOMIC DEVELOPMENT INDICATORS

Economic development indicators are mostly used in order to determine the indices of the level of well-being of a person, community or country. According to Sen and Drèze (1989), the focus of human development should be aimed at the improvement of people's well-being and not just development itself. Human development should also focus on the improvement of people's capabilities in terms of efficiency in production, and to ensure that development policies are not just being implemented to improve overall education or health systems, but to improve the overall quality of life of citizens (Sen & Drèze, 1989). Foa (2007:3) states that the Human Development Index (HDI) is mostly used to determine the level of people's development within a specific region. The following section will provide valuable insights into the economic development indicators for the Sedibeng District Municipality.

Human Development Index (HDI)

One of the most important indicators in measuring development in a country is the HDI. The HDI comprises three factors that contribute to the dimension of human development, which include: knowledge, longevity, and access to resources (Noorbakhsh, 2008:590). Noorbakhsh (2008:590) further states that the three pillars for human development need to be considered in order to have access to other dimensions of human development, such as self-respect, democratic participation, and other wants and needs. The HDI is measured by some of the most important aspects of development, which represent a numerical value between 0 and 1, where 0 is a very low level of development, while 1 represents a very high level of development (Lindman & Sellin, 2011.

Figure 3.4: Human Development Index (HDI) indicators for Sedibeng District Municipality



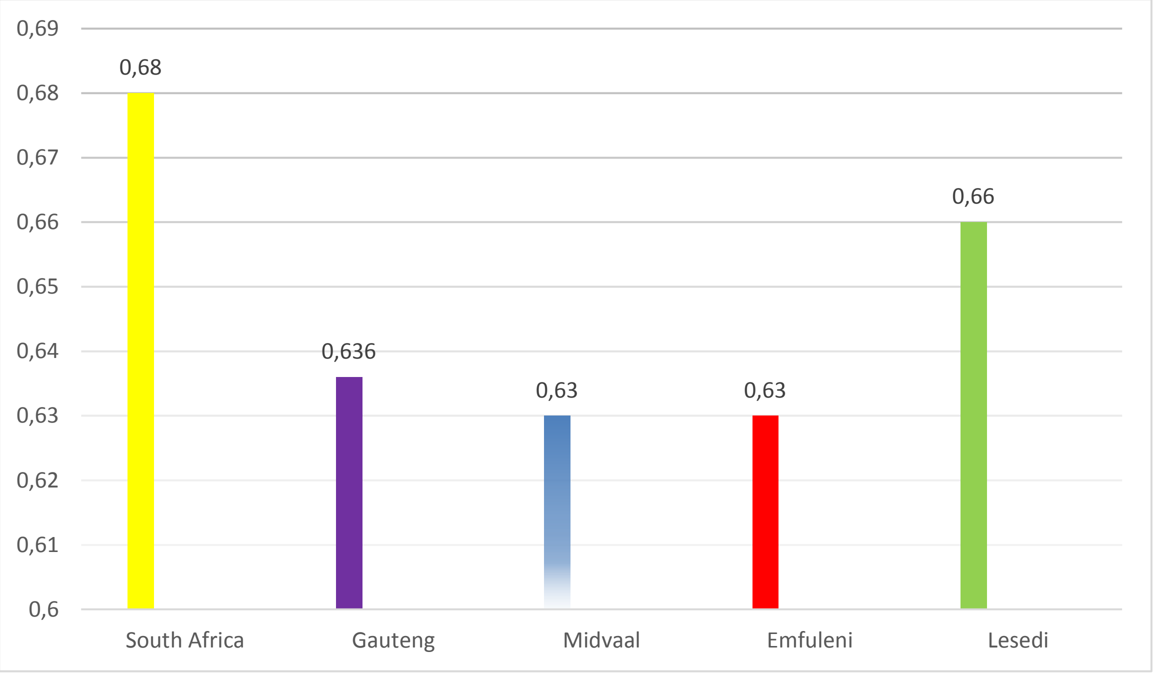
Source: Global insight (2016).

Figure 3.4 illustrates the HDI for the three respective municipalities within the Sedibeng District Municipality. The HDI was calculated using three indicators such as life expectancy at birth, adult literacy rate, as well as GDP per capita (Rodriguez-Oreggia *et al.,* 2013:445). South Africa has a very low HDI due to low levels of education, high levels of poverty, and inadequate health care services. The municipality that has the highest HDI is the MLM, indicating that the level of economic development is much higher than that of the surrounding municipalities. Both the Lesedi and the Emfuleni local municipalities have very low HDIs due to poverty. A study done by Oldewage-Theron and Slabbert (2010:4) revealed that more than 40% of all households in the Vaal Triangle live in poverty. Migration also forms a significant role in the level of development within a region, indicating that migration may form a significant role in low HDI levels for both the Emfuleni and Lesedi Local Municipalities.

The Gini-coefficient index

The Gini coefficient is the numerical value that represents the income inequality of a country or region (Jacobson *et al.,* 2005:1826). Jacobson *et al.* (2005:1826) further state that the Gini coefficient is a numerical value between 0 and 1, where the number that is closest to 1 shows a very unequal distribution of income, while 0 shows an equal distribution of income. The Gini coefficient is most often used to measure income inequality, as well as disposable income (income remaining after tax deductions), while other coefficients refer to market income (income before transfer and taxes) (Luebker, 2011:1). The Gini coefficient could also be calculated using consumption and expenditure estimates (Luebker, 2011:1).

Figure 3.5: Gini coefficient index for Sedibeng District Municipality.



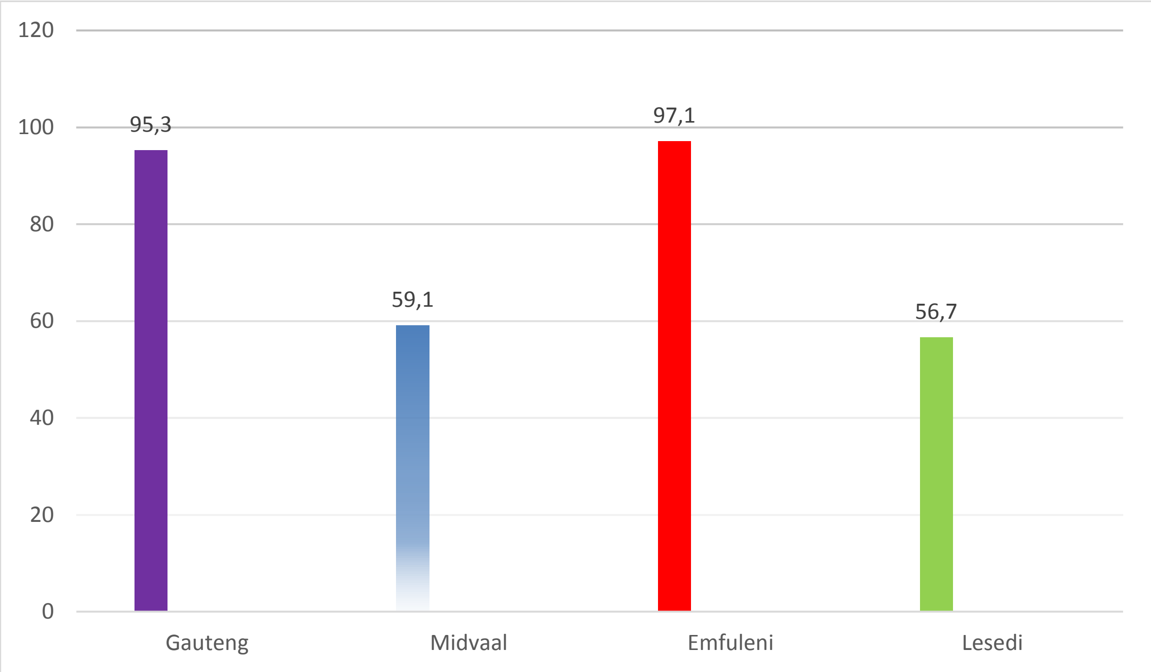
Source: Global insight (2016).

The numerical indicators show that South Africa has a very high unequal distribution of income compared to the rest of the regions or local municipalities. According to the World Bank (2016), South Africa has the highest Gini coefficient in sub-Saharan Africa at 0.68, which is considerably higher than the three local municipalities within the Sedibeng District Municipality. The Midvaal and Emfuleni regions display a very low Gini coefficient as compared to the rest of South Africa. A study by Harmse (2013:18) revealed that the areas that had a high Gini coefficient, mainly because of factors such as low levels of education, unemployment, cultural influences, high levels of corruption and changing global economic practices.

Level of Urbanisation

Urbanisation is a concept that refers to when rural areas are transformed into more urbanised areas by means of industrialisation (Peng *et al.,* 2000:2). The definition may differ from one country to another, however, people who live in urban areas tend to have substantial, tightly packed, and more similar cities as supposed to rural, small-scale areas that have large spaces of agricultural land available (Pang *et al.,* 2000:2). It is said that areas of high population density and high level or urbanisation tend to have a larger economic base and overall output (Msulwa & Turok, 2012:2).

Figure 3.6: Level of Urbanisation within the Sedibeng District Municipality



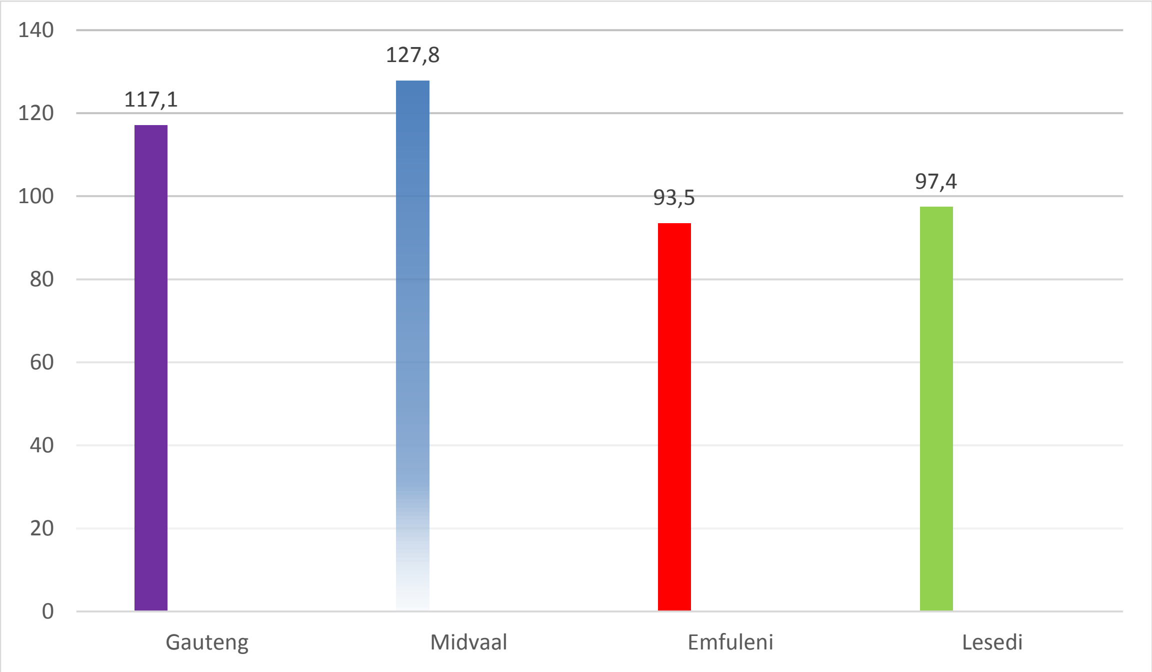
Source: Global Insight (2016)

From Figure 3.6, it is clear that the ELM has the highest level of urbanisation in comparison to MLM and the LLM. One major reason for this high level of urbanisation is due to the large contribution to total GVA, large population size, and a well industrialised region. The ELM is known for making the largest contribution to the manufacturing and steel industry in the Gauteng area. Both the MLM and the LLM have low urbanisation and high agricultural activities with large land availability, which could be defined as predominantly rural in nature.

Crime Index

According to Goulas and Zervoyianni (2012:2), numerous studies reveal that high levels of crime will have an immediate effect on the economic growth within a country. However several studies have found that increasing crime has no negative effect on economic growth if the economic conditions are favourable (Goulas & Zervoyianni, 2012:7). It is thus very important to note that high levels of crime cannot be directly associated with economic development, however, it may have negative consequences in the long term.

Figure 3.7: Crime Index within the Sedibeng District Municipality



Source: Global Insight (2016)

As seen in Figure 3.7 the Midvaal Local Municipality have the highest crime rate in the SDM, however, it should be noted that Goulaz and Zervoyianni (2012:7) revealed that the crime index isn't a good indicator if the economic performance within the region is good enough. An interesting part of the data is that the ELM and LLM have very low crime rates considering the high levels of urbanisation and high population growth rate.

Overall the Midvaal Local Municipality are performing better in terms of the development indicators such as the HDI and Gini coefficient, however, the area have a low level of urbanisation, and a relatively low level of infrastructure and high crime rates. The Emfuleni Local Municipality dominates the local economy in terms of urbanisation and infrastructure base, which could be reason for the high employment in various sectors of the economy, but it doesn't compensate for the low levels of living. The ELM still have a few problems, which includes low levels of HDI (Human Development) and large disparities in incomes, but overall the economy of the ELM are well developed and speciliazed, the development indicators of the LLM are similar to those of ELM.

3.6.1.3 SOCIAL ECONOMIC DEVELOPMENT INDICATORS

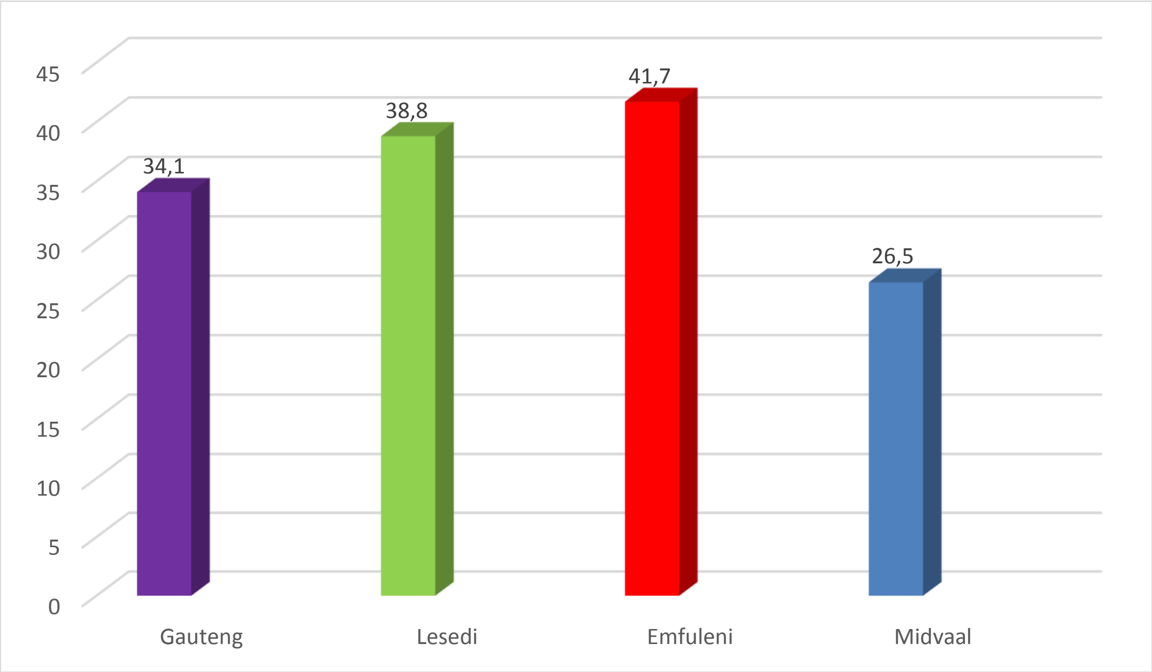
Social economic development indicators should always be used in determining the health of an economy because GDP shouldn't be treated as an indicator alone to establish the structural and distributional changes which are important for measuring the quality of life. Takamor and

Yamashiti (1973:114) developed an index to show the indicators which are mostly used to determine the level of social development and it included (LITE) literacy rate and the poverty rate to determine the socio economic status. The following section will include all aspects of socio-economic indicators including poverty levels and levels of literacy, for each of the three irrespective municipalities within the Sedibeng District Municipality.

Poverty levels

Todaro and Smith (2011:211) defines absolute poverty as the situation whereby one is unable to barely meet the subsistence essentials such as health, safe drinking water, food, shelter and education. Poverty is a major social issue in most of the developing countries of the world, and it influences the way in which people live and their living standards, whereby their personal income are far less than their basic needs (Phillip & Rayhan, 2004:1). Poverty influences people to have adequate work opportunities, access to land and capital, and they are characterized as having low levels of human capital (Sola, 2001:3). Mostly poverty influences the level of living within a country or region and the causes of poverty are related to factors such as inadequate work opportunities due to unskilled labour in the workforce, high inequalities of income, invaluable resources and the lack of government safety nets Figure 3.8 gives an indication of the poverty levels within the three local municipalities within the Sedibeng District Municipality

Figure 3.8: Poverty levels of the Sedibeng District Municipality



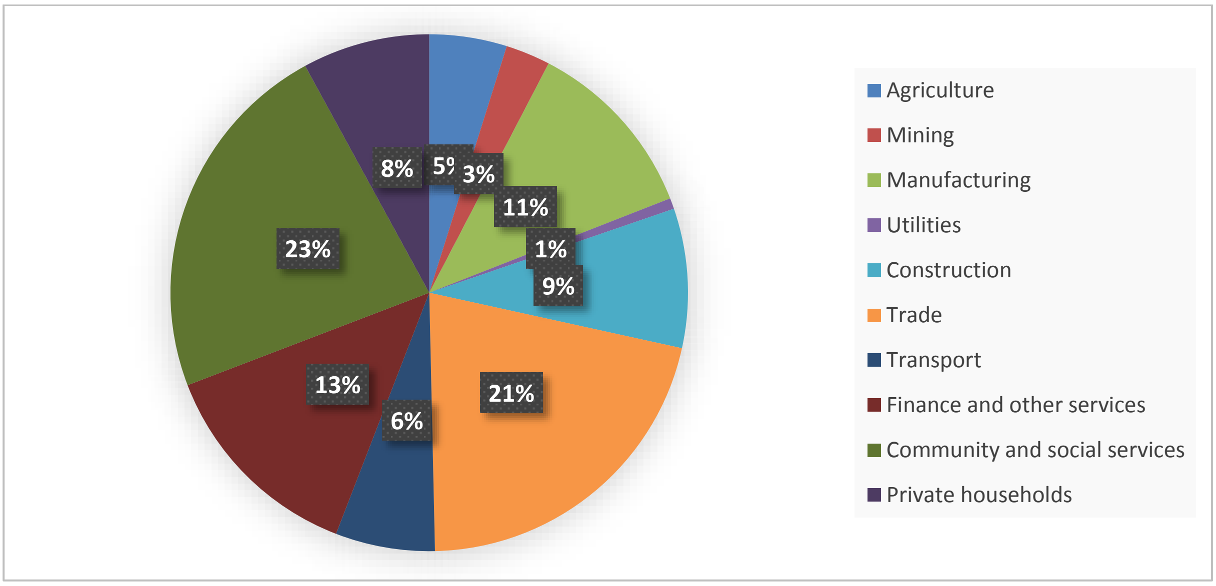
Source: Global Insight (2016)

It is clear from Figure 3.8 that poverty is a major issue within the SDM, but more specifically within the ELM and LLM, however, poverty is less significant within Midvaal Local Municipality. The standard of living (or otherwise known as HDI) is much more higher within the Midvaal Local Municipality than in the other two municipalities, which gives an indication that the Midvaal Local Municipality have more work opportunities, more skilled labour, lower income inequalities and more valuable resources within the production processes in the various sectors.

Employment per sector

South Africa is currently facing a chronic unemployment crisis in which the stimulation of economic activity is the first priority. According to StatsSA (2016b), South Africa's unemployment rate is estimated at 26.7%, which is one of the largest unemployment rates in the world. The largest sector in South Africa that creates employment opportunities is the manufacturing sector, followed by the construction sector, which boosted economic growth and demand for non-residential buildings (IDC, 2016). Employment in the formal sector showed a positive growth of 5 500 for 2015, which is significantly better than the job losses of 22 000 in 2014. The IDC (2016) further states that employment in the business and financing sector increased by 22 000, as well as the retail, wholesale, and accommodation sectors by 36 000. The manufacturing, construction and mining industry showed job losses of 4 500, 18 000 and 28 000 respectively.

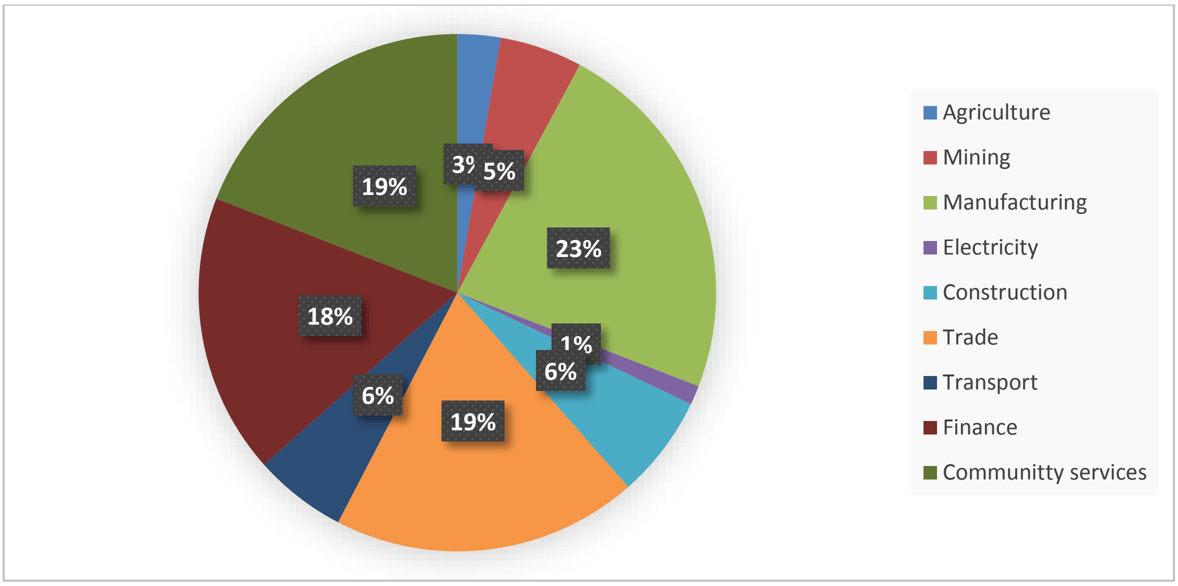
Figure 3.9: Employment per sector in South Africa



Source: StatsSA (2016a)

As seen in Figure 3.9, the largest sectors in South Africa in terms of job creation are the community and social services (23%), followed by trade (21%), and financing and other services (13%). Interestingly, the manufacturing and mining sector combined only contributed 14% of the total employment in South Africa. The largest sectors in South Africa contributing to the overall employment were community and social services, followed by trade. The reason for the decline in the number of jobs in the manufacturing and mining sector may be the low cost of manufacturing goods and services in Asian countries such as China.

Figure 3.10: Employment per sector in the Sedibeng District Municipality



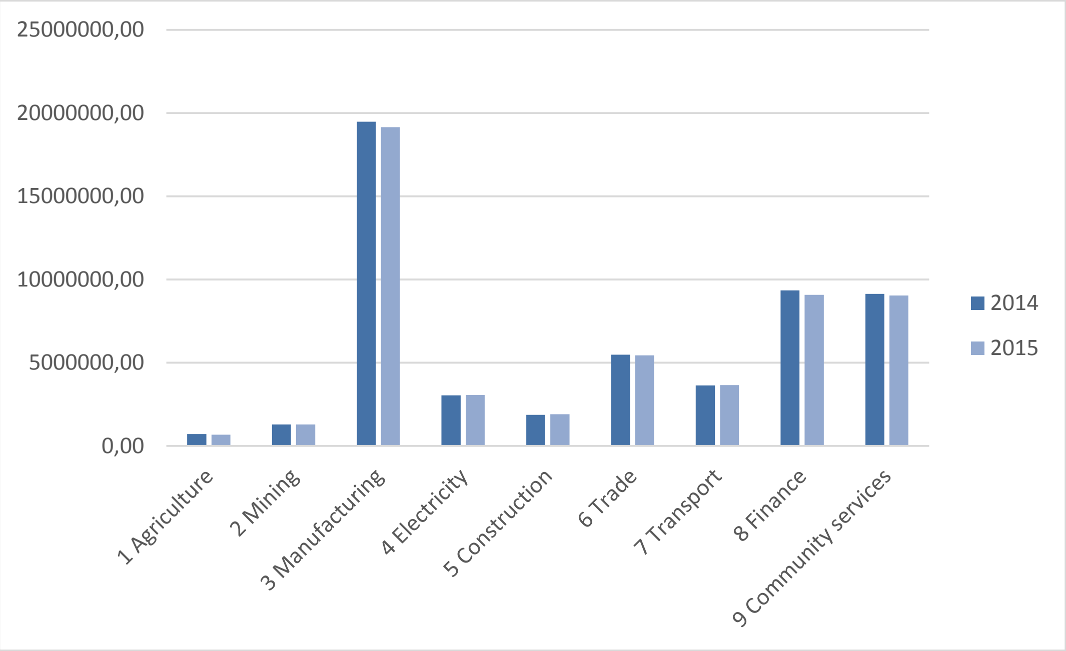
Source: Global Insight (2016)

Figure 3.10 gives a graphical representation of employment by each sector of the economy of the Sedibeng District Municipality. Manufacturing contributes 42 455 jobs, followed by trade (35 123 jobs), community services (35 140 jobs) and finances (32 252 jobs). The trade industry includes full-time work such as retail, wholesale, and the motor trade. Community services include services that are provided to local communities in terms of refuse removal, water availability and overall services carried out by the government. The financing sector also contributes a large percentage of the overall employment in the region due to the strong banking and financial systems in the country. The agricultural and electrical sector contributed the least to overall employment within the district municipality, which shows that the attention given to agricultural produce has been insufficient. Regarding employment in South Africa, more attention is needed within the agricultural sector given the vast majority of vacant land within the Midvaal and Lesedi local municipalities.

3.6.1.4 ECONOMIC GROWTH INDICATORS

The economic growth indicators specifically focus on indicators such as the unemployment levels, the Tress index, the economically active population as well and the average income per household in the Sedibeng District Municipality. The major part of the SDM economy lies within its manufacturing sector which includes the steel industry, as well as the finance and the community services sector.

Figure 3.11: Structure of the Gross Value Added of Sedibeng's economy.



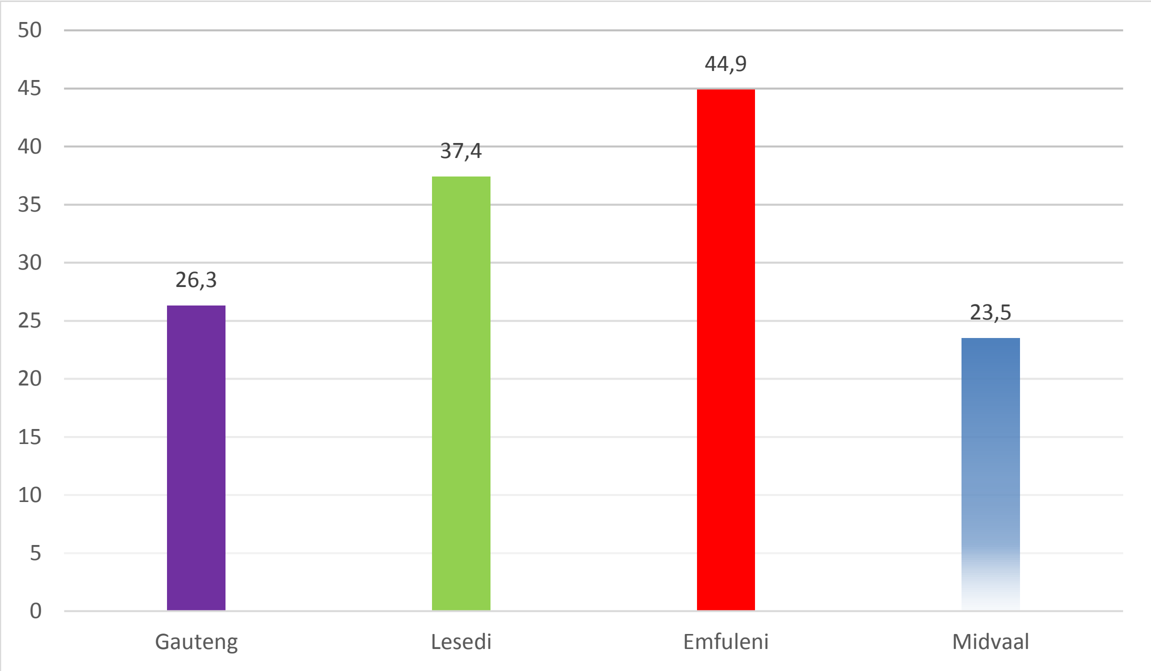
Source: Global Insight (2016)

Figure 3.11 represents the structure of the Sedibeng District Municipality (SDM) for the years 2014 and 2015. All the sectors in the economy were constant except for the manufacturing and the financing sector. The manufacturing sector contributes the most to the overall GVA in the sense that the large steel industries such as Arcelor Mittal and Sasol contribute largely to the domestic GVA. The central government and business services are the second largest sectors in the economy as the major warehouses and retail businesses are situated in Vereeniging and Vanderbijlpark. The interesting part is that Agriculture and Mining contribute the least to the overall GVA, which has a negative impact on stimulating/creating job opportunities, as well as providing adequate food supply. There are no significant differences between the years 2014 and 2015, however, in sectors such as the manufacturing sector, community services and finances, the overall GVA decreased.

Unemployment Levels

The unemployment rate is the most commonly used indicator in measuring the performance of the labour market in a country, and it usually includes people who are not working, seeking work and available for work (Byrne & Strobl, 2004:466). The unemployment rate is mostly used to determine the level of labour participation within a certain country or region, and the higher the unemployment rate, the lower the economic activity in that specific country/region.

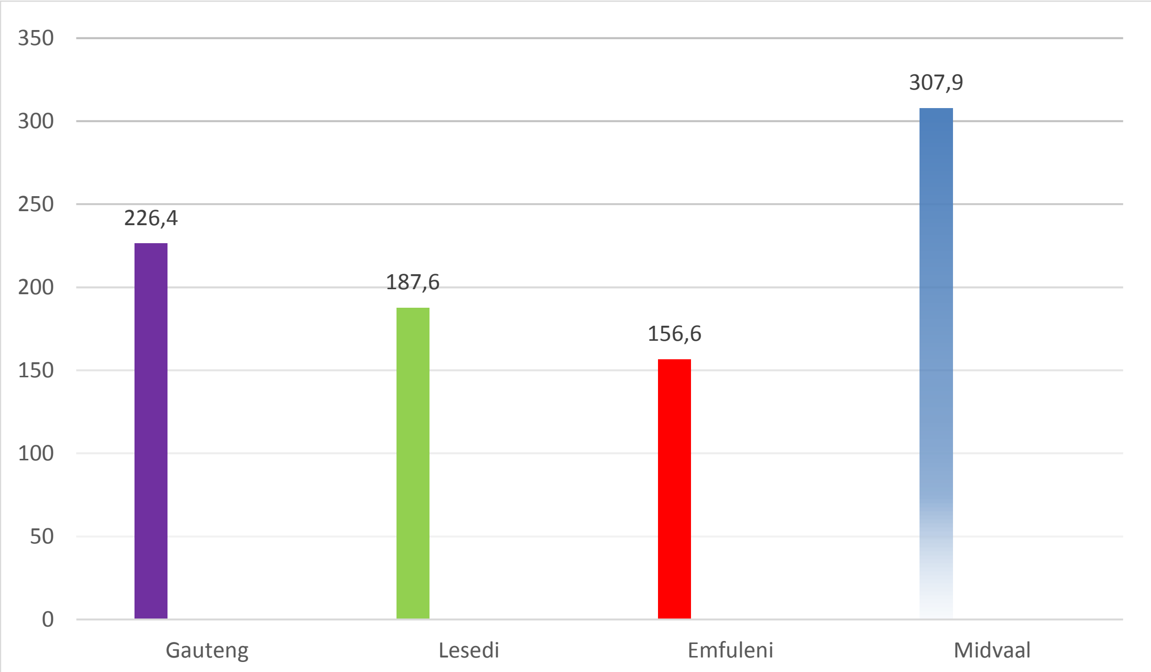
Figure 3.12: Unemployment rate within the Sedibeng District Municipality



Source: Global Insight (2016)

Low unemployment rates are associated with factors influencing supply and demand in the market. Whenever Aggregate Demand (AD) exceeds economic range and supply, the unemployment rate will decline (Cashell, 2004:2), similarly if the demand exceeds supply it will have an immediate effect on the price level. Caswell (2004:3) explains that there are other factors which influence the low unemployment rate, such as skilled and knowledgeable workers and higher wages paid to workers in the workforce. Figure 3.12 presents the unemployment rate in the Sedibeng District Municipality (SDM). Emfuleni, Lesedi and the province of Gauteng have the highest unemployment rate while the Midvaal Local Municipality has the lowest unemployment rate. Given that the Emfuleni Local Municipality (ELM) has the majority of economic activities within the SDM, there are still persistently high levels of unemployment, poverty and income inequalities. A major reason for the high unemployment rate within the SDM may be the numerous townships such as Sebokeng and Everton which represent more than 40% of the total population (Van Vuren, 2003:85). Sebokeng and Everton are classified as rural areas with limited work opportunities and very high levels of poverty. Slabbert (2004:124) states that the SDM only contributes approximately 7 per cent of the total economic output in the Gauteng province, and it has the highest unemployment rate of all the district municipalities in Gauteng.

Figure 3.13: Average income per household



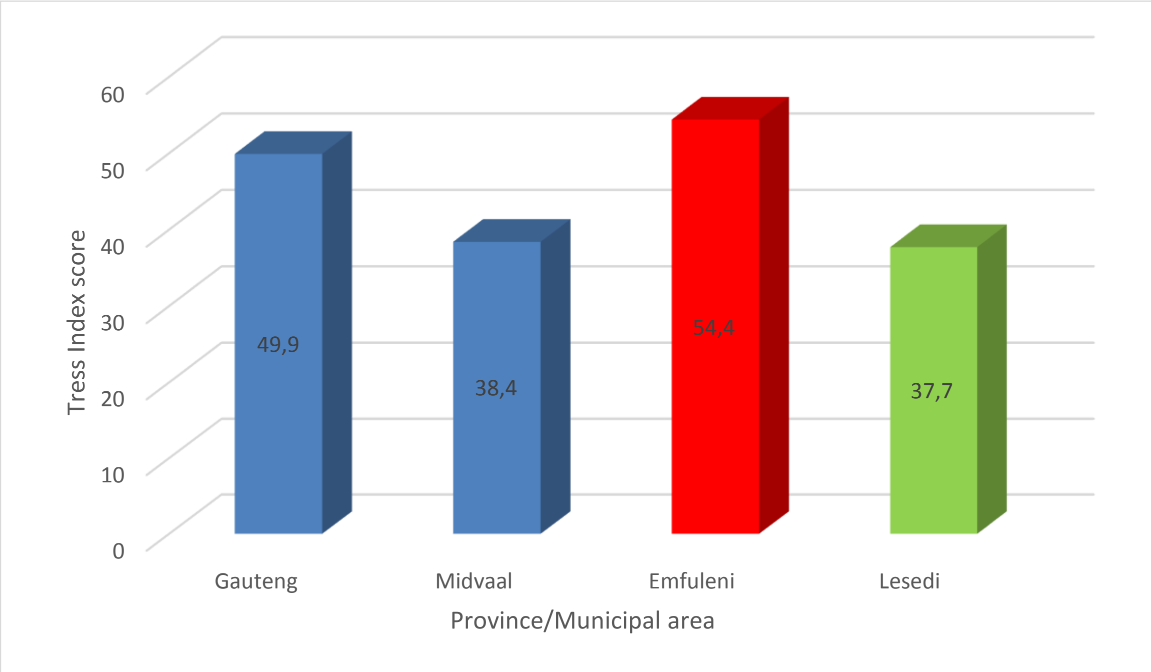
Source: Global Insight (2016)

Figure 3.13 shows the average income per household for the three municipalities in the Sedibeng District Municipality. From the graph it is clear that the MLM has the highest average income per household, which is nearly 51% more than that of the ELM. The MLM has the highest average earning of R307.90 compared to ELM and LLM with an average income of R156.60 and R187.60 respectively. The average income per household is thus very high within the MLM which indicates that the living standard is higher in the Midvaal area than in the Emfuleni and Lesedi areas.

Tress Index

The Tress index measures the level of diversification of an economy and it is mostly used to determine whether a specific region is vulnerable in terms of exogenous factors such as changes in commodity prices, price changes in goods and services, as well as the economic changes in the provincial and national economy (Meintjies, 2001:38).

Figure 3.14 : Tress index within the Sedibeng District Municipality



Source: Global insight (2016)

The Tress index is a development indicator used to provide valuable insight into the level of specialisation of certain sectors which contribute the most to overall output. Given that human capabilities form an integral part of economic development, the Tress index also indicates the skills and capabilities of people within a specific region (ECSECC, 2014:19). The Tress index is a numerical representation of the level of specialization within a specific region. The closer the values are to 100, the less diversified the economy is, and the more specialized it is in terms of certain economic sectors (Meintjies, 2001:38). The Emfuleni Local Municipality (MLM) is the most specialised economy of the three local municipalities, and this is mainly due to their heavy involvement with the manufacturing and industrialized economy, which are highly influenced by changes in commodity prices. Thus, any changes in the prices of steel or other metals will have a major influence on economic growth, as well as employment per sector. The Midvaal and Lesedi Local Municipalities have very low numerical values, indicating a very widely diversified economy with less specialisation in one specific sector. The ELM is highly dependent on the manufacturing sector.

3.6.2 SUMMARY OF COMPARISONS

In terms of the development indicators as well as the socio-economic indicators for the three local municipalities within the district municipality it is very apparent that the Midvaal Local Municipality

(MLM) are doing the best in terms of the objectives of the National Development Plan (NDP) to reduce poverty and inequality and increase the number of jobs available.

Table 3.4: Summary of the NDP indicators

Indicator	Definition	Best performing municipality
HDI (Human Development Index) Target: Higher ↑ HDI.	Noorbaksh (2008:590) asserts that the HDI focuses on three dimensions of development including the level of literacy, access to various resources as well as life expectancy. The HDI are therefore a very important indicator in determining the standard of living.	**Midvaal (0.731)** ↑ Emfuleni (0.678) Lesedi (0.6711)
Gini Coefficient Target: Low ↓ Gini coefficient.	The level of income inequality are usually measured by means of the Gini Coefficient. The Gini coefficient represents a numericl value between 0 and 1, where 0 represents a high equal distribution of income (Jacobson *et al*., 2005:1826).	**Midvaal (0.63)** ↓ **Emfuleni (0.63)** Lesedi (0.66)
Unemployment rate Target: Low ↓	The unemployment rate are one of the most often measures used to determine the level of economic activity in an economy. The rate of unemployment represents the amount of people within a specific geographical area who are actively seeking work.	**Midvaal (23.5%)** ↓ Lesedi (37.4%) Emfuleni (44.9%)
Poverty levels Target: Low ↓	Poverty may be defined as a situation whereby a person are unable to meet the basic needs such as healthcare, safe drinkwater, food and shelter. High levels of poverty are usually a refelction of the unemployment rate and the standards of living within a specific community.	**Midvaal (26.5)** ↓ Lesedi (38.8) Emfuleni (41.7)
Average income per	The average income per household reflects the total amount of revenue received by individual family members devided by the	**Midvaal (R307.9)** ↑ Lesedi (R187.6) Emfuleni (R156.60)

household. Target: High ↑	number of family members within a specific geographical area.	
Tress Index. Target: High ↑	The tress index is a representation of the level of speciliazation within a specific region. The higher the tress idex are towards 100 the more speciliazed it is in certain sectors of the economy.	**Emfuleni (54.4)** ↑ Midvaal (38.4) Lesedi (37.7)

Source: Own compilation

The main objectives of the National Development Plan (NDP) are to improve poverty and inequality, reduce unemployment and to increase the level of investments within South Africa (Kaplan, 2013:4). South Africa as a whole are currently facing numerous challenges in terms of competitiveness with the global market, high degree of active work seekers, high consumption, low savings as well as very poor skills in all levels of the workforce (Kaplan, 2013:15). Table 3.4 gives a representation of the NDP indicators for the the three municipalities within the Sedibeng District Municipality. From the table it is apparent that the Midvaal Local Municipality (MLM) are better than the other two municipalities in terms of addressing the social issues and problems such as absolute poverty and inequality within the region, indicating that the region have a higher level of development. The Emfuleni Local Municipality (ELM) however, contributes more in terms of key sectors, such as the manufacturing sector, and as a result of low competitiveness with the global market (Kaplan, 2013:15) it influences job creation in a negative manner.

3.7 LOCAL ECONOMIC DEVELOPMENT PLANNING PROCESS IN THE SEDIBENG DISTRICT MUNICIPALITY

In order for the local economy to grow it is important to implement specific development plans to improve the living conditions and standard of living within a specific area. Local Economic Development (LED) is a specific tool used as a process to intervene and improve the development challenges within an area. LED planning is carried out by local stakeholders to improve the working and living conditions of people. Direct planning, on the one hand, is based on addressing the socio-economic problems that exist within rural areas, but it also focuses on the provision of basic services. Indirect planning, on the other hand, is associated with engagement with local government, citizens and businesses through capacity building (Dixou-Fyle, 1998:1).

As a part of the LED within a specific region, there has to be some sort of planning in place to implement the LED process. As part of the planning process involved in LED, as discussed in

Chapter 2 (Section 2.3.1), the following section will evaluate the LED process within the Sedibeng District Municipality according to the World Bank's 5 stages of implementation.

Stage 1 - Organising the effort: Successful LED depends on the collective efforts of the private, public, and community sectors. Informal and formal structures and processes should be established in order to ensure that all stakeholders are involved, and that the planning process is well managed. In the stakeholder management process, it is recognised that some stakeholders should participate more than others.

Table 3.5: Potential stakeholders in the LED process

Public sector stakeholders	Private sector stakeholders	Community sector stakeholders
Local government	Chamber of Commerce.	Individuals.
Provincial government	Large organisations.	Neighbourhood groups.
Transportation authority	SMME representatives.	Youth groups.
Utilities	News Media/Local media.	Active youth group.
Health authority	Business associations.	Arts and cultural groups.

Source: World Bank (2011)

Table 3.3 gives a representation of the potential stakeholders in the LED process, which include the private, public and community sector. Formal and informal working groups should be established in order to support strategy development and implementation (World Bank, 2011). In the Sedibeng District Municipality, the various stakeholders in the LED process include the local government, institutions such as the North West University (NWU) (Vaal Triangle Campus), the Chamber of Commerce, and various youth groups such as the Young Entrepreneurs Business Organisation (YEBO). The various stakeholders need to work in a coherent manner to analyse and evaluate the local economy in terms of possible opportunities (Nel *et al.,* 2003:7).

Stage 2 - Conducting a Local Economy Assessment: This includes an assessment of a unique set of attributes that could be seen as possible strengths, weaknesses, opportunities and/or threats (SWOT). The goal of the assessment is to evaluate the local economy in terms of formal and informal business structures, and to assess the possibility of comparative and competitive advantages that could improve the local economy (World Bank, 2011). Table 3.4 gives a representation of the SWOT analysis for the Sedibeng District Municipality.

Table 3.6: SWOT analyses for the Sedibeng District Municipality

Strengths	**Weaknesses**
Compact urban structure	Lack of proper service delivery
Large population and markets	Public financing constraints
Established nodes and corridor structure	High levels of pollution
Well-performing retail sector	Manufacturing and industrial decline
Improved partnership formation	Limited public transport system
Opportunities	**Threats**
Availability of vacant land for economic development	High levels of unemployment
High demand for housing	Lack of marketing initiatives
Tourism development (Vaal River)	High percentage of rural/township areas with high poverty rates
Highly diversified economy	Slow land-use processing rate
Infrastructure improvements for public transportation	Political instability

Source: Meyer (2016)

The Sedibeng District Municipality certainly has the capacity to improve in terms of a diversified economy and other development initiatives. Infrastructure capacity and service delivery, however, remain some of the biggest challenges within the local economy. Some of the comparative advantages are that (Meyer, 2016):

- The Sedibeng District Municipality is in close proximity to the Johannesburg and East Rand area, which is helpful in terms of urban economic growth.
- The Vaal River is one of the biggest assets to the District Municipality, which should be seen as a location for improved tourism projects.
- There are highly specialised steel companies, such as Arcelor Mittal, which contribute intensively to the national and international steel industry.
- There is improved availability of land for development and agricultural purposes.
- There is a well-developed infrastructure in terms of traffic congestion and public transportation, as compared to other municipal areas.
- There is low rent and other variable costs.

Stage 3 - Developing an LED strategy: As part of designing an LED strategy, it is important for the various stakeholders to be involved in developing the overall LED strategies in terms of the objectives, goals, projects and programmes. It is important that these LED strategies are measured against the finances and the capacity available in order to carry it out (World Bank, 2011).

LED Strategy 1 - Detailed planning for regional sewer infrastructure: Due to a high demand from rural and township areas, sewer infrastructure is needed. There is still a large percentage of cities and townships that do not have adequate sewerage facilities to clean up river systems.

LED strategy 2 - The improvement of Vaal River tourism: An improvement in Vaal River tourism will have an immediate and direct effect on the overall economic growth within the region. Marketing strategies should be in place to promote the various businesses involved in Vaal tourism, such as a new resort, which will have a significant impact on the demand for accommodation, as well as new transport facilities.

LED strategy 3 - The implementation of an adequate public transportation system: In order to fill a need in the community, it is important for local government to implement a public transportation system that is effective, low cost, and efficient. The proper implementation of such a system required an upgrading of the rail networks, as well as the improvement of public roads.

LED strategy 4 - Job creation initiatives and skills improvement: Unemployment is a factor that has a significant impact on the improvement of economic growth due to a lack of skills within the labour force. The effective implementation of skills improvement, and the initiative to start a business are required in order to improve the local economy. Proper job creation initiatives could include on-site training, as well as workshops where ideas and experiences are shared and implemented.

LED strategy 5 - The implementation of proper housing projects: As part of the local economic development of the region, there is a high demand for basic housing within the Sedibeng District Municipality. The majority of low income households do not have access to water or electricity supply, and as such, the implementation of RDP houses would be an adequate LED strategy within the local community.

Stage 4 - Implementing the LED strategy**:** The second last stage of the LED process is the implementation of the LED strategy. The direct aim of this stage is to identify a formal structure and the projects that should be implemented. The identification and establishment of the most appropriate intuitions should be identified before carrying out the plan (World Bank, 2011). Table 3.5 indicates the specific programmes and projects to be implemented within the Sedibeng District Municipality.

Table 3.7: Project and Programme planning per sector

Description of project	Overall goal of project	Approximate budget	Reason for implementation	Performance achievement	Notes
Sector 1: Service delivery, institutional capacity and good governance.					
Regional sewer and water purification	• Implementing regional water capacity for future development.	R 4 billion	• Improvement in sanitation and water access. Poor households have a lack of facilities.	• Low cost (4000 units), high costs (2000 units), removing pump stations.	• Development of housing and environmental clean-up. Addresses the need for job creation.
Integrated public transport system aimed at rapid transportation	• Improving the transportation infrastructure.	• R3 billion	• Connecting the links between the Vaal Triangle and Johannesburg in order to create economic sustainability.	• World class transportation system aimed at improving long distance transportation.	• The need for spatial integration with the large urban areas of Johannesburg.
Sector 2: Township Revitalisation					
Improving informal trade	• To support the informal economy in terms of trade.	• R2 million	• Uncoordinated townships with limited knowledge of support and research.	• Improve coordination between the various small businesses in the community.	• The main aim of the township revitalisation is to improve the coordination and integration of the informal sector with the rest of the economy.
The integrated job creation and skills development	• The improvement of skills and entrepreneurship within the local economy	• R3 million per annum	• Limited opportunities and integration.	• The improvement of youth development in business start-ups as well as improving skills.	• The development of small businesses in the local government as well as small business development.
Sector 3: Manufacturing and industrial development					
The creation of final products with the aim	• Revitalising the local manufacturing sector.	• R1 million	• The local economy has limited capacity in	• Attention to research in the	• The promotion of export and innovation in

of exportation.			providing manufacturing products at competitive prices.	South African manufacturing sector to have a competitive advantage.	manufacturing products.
Sector 4: The development of tourism in the Vaal River area					
The development of the Vaal River as a unique tourist attraction	• Developing the Vaal river into a tourist attraction.	• R2 billion	• The Vaal river is underutilised and has a large potential as a tourist attraction in the Gauteng area.	• Creating a tourism attraction at the Emerald Casino and Resort with the aim of improving facilities in water activities.	• Tourism has a significant impact on the economy of a municipality. With the transformation of the Vaal River, it would enhance the acceleration of tourism development.
Sector 5: Agricultural development					
Improving the fresh produce market in Sedibeng	• There is a high demand for agricultural products in the Vaal Triangle.	• R1 million	• No action plan is in place to revitalise the agricultural sector in the Sedibeng District Municipality.	• Improving the local agricultural fresh produce market, which would be fully operational in one year.	• The development of small businesses using the action plan and giving immediate attention to appropriate issues.

Source: Meyer (2016)

Stage 5 - Reviewing the LED strategy**:** Evaluation and monitoring is needed in order to review the outcomes, and determine the adjustments, enhancements and to develop good practices. The LED strategy should be evaluated on an annual basis in order to ensure its relevance and continuous evolution to respond to the competitive environment (World Bank, 2011). LED planning is a continuous developmental project that aims to improve the overall development of the local economy in the long run. In addition, the coordination between the government, the community, and businesses is imperative within the planning process of Local Economic Development. The needs of the local community should be recognised and the local government should act in a transparent way to ensure effective performance and delivery of services.

LED is an integral part of Integrated Development Planning (IDP), which is where municipalities prepare a strategic development plan for a period of five years or more. The IDP is also the principal strategic instrument that informs and guides all management, planning and budgeting, as well as decision-making in the municipality (DPLG, 2015:4). The IDP also draws together the most important development objectives of the municipality, such as service delivery, as well as formulating strategies to implement the objectives in an integrated manner (Mogalakwena Local Municipality, 2006:10).

3.8 CONCLUDING REMARKS

Implementing the correct policies in a certain region is one of the most challenging aspects in any local community. In South Africa, there are several challenges in the macroeconomic environment that have to be dealt with before the implementation of a viable framework is possible on a local level. Some of the major areas of concern are: restructuring government expenditure, improving the climate for private investment, facilitating better government health and educational services, as well as improving the overall infrastructure (Kumar, 2013). It is very important for any developing country to recognise the need for sustainable policy implementation, and coordinating policies within developed countries. Some of the major challenges currently facing South Africa in the implementation of development objectives include insufficient resources, a misinterpretation of the development policy process, a lack of information, and dependency on volunteers. Policies in South Africa are not focused on investment in capital expenditures, job creation initiatives or skills development, but rather on current expenditures. The South African economy has been weak for the past few months, however improvement could be seen as some of the weak sectors have shown relative improvement.

From the economic analysis in Chapter 3, it is apparent that the Midvaal Local Municipality (MLM) is performing better than the two other municipalities in terms of the development objectives which were set out by the National Development Plan (NDP). In terms of poverty alleviation, reducing income inequalities and improving total output, the Midvaal Local Municipality (MLM) surpassed both the LLM and the ELM. We can therefore conclude that the Midvaal Local Municipality (MLM) shows an improvement in the total output within the local community, and an improvement of the living standard. The development in MLM is specialised compared to the Emfuleni and Lesedi Local Municipalities in terms of the objectives of the National Development Plan, as well as Economic Development in general.

There are some very important processes and planning required for the Sedibeng District Municipality (SDM) in the future, as indicated by the AppLed research focus group of the North West University (NWU) Vaal Triangle Campus. Major areas of improvements include public service delivery, a lower rate of unemployment and the improvement in the total output of the manufacturing sector, which is needed to maintain a certain level of competitiveness within certain industries, such as the Manufacturing sector of the Vaal triangle. Township revitalisation, especially in the Sebokeng and Everton areas, is needed to improve informal trading, overall skills and job opportunities for the communities. Tourism may be seen as key of intervention for local economists because it enables the attracting power of local assets, business start-ups, as well as work opportunities. Agricultural development is needed in the Vaal Triangle because municipalities such as Midvaal and Lesedi are seen as two areas with high potential in fresh produce in fruits and vegetables, which could add value to the local fresh produce market, given the high demand for fresh agricultural products. Total land availability within the LLM and MLM is very significant, and it could have a major influence on improving the agricultural sector in the SDM.

The next chapter will focus on the specific methodology and results in terms of the empirical objectives which were identified in the first chapter. Chapter 4 will specifically focus on the perceptions of business owners in terms of service delivery, and the factors that contribute to an enabling environment. As part of a development policy in economics, various problems need to be identified, such as public service delivery. An evaluation of the perceptions of the citizens is then required, followed by ranking these factors in terms of business owners' satisfaction.

CHAPTER 4: METHODOLOGY AND RESULTS

4.1 INTRODUCTION

Research means different things to a wide variety of academics and scholars in the world, and the type of research varies from subject to subject (Driscoll, 2011:153). Research methods may be defined as the techniques used to do research. This includes the tools needed to collect, sort and analyse the data and information needed to come to a conclusion (Walliman, 2011:1). Engineers make use of mathematical models, processes, technical drawings and objects, while sociologists make use of specific surveys, questionnaires, interviews or observations (Driscoll, 2011:153). Primary data is associated with the distribution of questionnaires, surveys and interviews in order to help the researcher to find out what the people think of a certain topic or subject. The survey method was used in this study to collect information from business owners within the Sedibeng District Municipality. A survey may be defined as the specific selection of a large sample of people from a pre-determined population which are used to collect data (Kelley *et al.,* 2007:261).

The main goal of this survey was to evaluate the perceptions of business owners in the Sedibeng District Municipality with regard to service delivery and their perceptions of the factors contributing to the creation of an enabling environment. The aim of the questionnaire was to evaluate the business owners' perceptions of the municipality as the provider of the necessary services, as well as the factors contributing to the creation of an enabling environment. Businesses are seen as one of the pillars for the "LED triangle" and it is important to evaluate their perceptions of the government in terms of creating the space for an enabling environment to prosper (Rodríguez-Pose & Tijmstra, 2005).

Secondary data was also collected in order to determine which sectors of the local economy have the biggest influence on GVA growth in the local economy. A structural (sectoral) performance is mostly used to evaluate whether the local economy is declining, growing or stagnant (Mapula *et al.,* 2011). Sectorial analysis is usually used to establish the level of specialization in the economy, and which sectors have the most influence on the overall growth, known as the Tress index (Kniivila, 2008). Quantitative research will be used in the study, comprising of both primary and secondary data. The following section will describe the methodology and empirical portion of the study, including the sampling frame, target population, sample method, sample size, as well as the measuring instrument for data collection.

4.2 EMPIRICAL STUDY

An empirical study may be defined as observations of the world around us. Empirical study is usually associated with exploratory and experimental features or techniques (Aspers, 2009:2). The main goal of empirical research is to determine which variables will have a significant impact on the other set of variables (Sivasubramaniyan, 2012:4). There are three major types of research involving various methods. Table 4.1 presents the different types of research, as well as the methods to be used.

Table 4.1: Research methods

Type	Methods	Techniques
1. Office (library) research	i) The analysis of historical data.	i) Analysis of notes, recordings, tapes and films.
2. Field research	ii) Participating observations	ii) Tape recording, face to face interviews and photographic illustrations
	iii) Non-participating observations	iii) The use of scales and score cards.
	iv) Mass observation	iv) Not directly participating, evaluating mass behaviour.
	v) Questionnaire	v) The use of structured socioeconomic scales and projective techniques.
	vi) Interviews	vi) The use of focused closed and open ended questions
	vii) Life history and case studies	vii) The intensive analysis of cross sectional data
3. Laboratory research	Role analysis behavioural studies	viii) The use of observers and audio-visual recording devices, mostly used in natural sciences.

Source: Sivasubramaniyan (2012:7)

As seen in Table 4.1 there are three various types of research used, while each one have their own method of analysis and techniques. The first type of research is associated with the collection of raw data, where the data is not sufficient to solve the current problem. The second type of research is the use of certain scales and techniques to establish the relationship between the data and the unknown. The third type of research is associated with the capturing the accuracy of the results obtained (Sivasubramaniyan, 2012:8). In doing research it is important to understand the type of research you are doing, and the techniques you will be using. Survey data is mostly associated with non-participative questionnaires and a part of mass behaviour.

The central type of research used in this study includes aspects of the non-participating observations, mass observations and questionnaires. The non-participating observations include the use of scales, mass observations include the evaluation of mass behaviour and questionnaires include the structured scales and techniques to be used in the study (McClure, 2008:7). The main type of research is based on field research, whereby 200 business owners were given a questionnaire with a predetermined structured Likert-scale. The secondary data used in this paper will be based on library research with the use of existing data on Regional Explorer.

4.2.1 TARGET POPULATION AND SAMPLING FRAME

The target population in research are being defined as all the cases in which the researcher would like to make generalisation, or it may be defined as the group of elements to which the researcher wants to make inference (Banjaree & Chaudhury, 2010:62). The information gained from the specific sample is then useful for the generalization about the entire population size (Ross *et al*., 2009:7)

The target population used in this study is business owners within the Sedibeng District Municipality located in the most southern part of Gauteng, South Africa. Since the total number of business within the study region are unknown and impossible to count, it was decided that the accessible population size was a total of 200 business owners from three different municipalities in a district municipality. The businesses were generalised, and the target population didn't have any specific demographic information which needed to be targeted, but rather a random sample of various types of business owners within a specific geographical area.

4.2.2 SAMPLE SIZE

A sample may be defined as the small representation of a statistical population whose main characteristics are evaluated in order to gain information about the whole population (Fridah, 2007). A sufficient sample size may be described as the minimum number of respondents/participants which are required for the identification of a statistical significant difference (Burmeister & Aitken, 2012:273).

The sample size in this study consists of 200 business within the Sedibeng District Municipality which includes 100 business within the Emfuleni Local Municipality, 50 for the Midvaal Local Municipality and 50 in the Lesedi Local Municipality. The sample size was chosen due to the large percentage of businesses in the Emfuleni local municipality and the low percentage of businesses in the Midvaal and Lesedi local municipalities. The sample size of 200 businesses within the Sedibeng District Municipality was chosen, whereby nearly 50 per cent of businesses was located within the Emfuleni Local Municipality due to the large population size within this local municipality. According to Trading Economics (2016) South Africa have more than 462000 thousand businesses (UNISA, 2015), and a population size of nearly 52765420 million citizens, which means that for each 1 citizens there is 0.008 businesses. The Sedibeng District Municipality have a population size of nearly 912265 residents which means there would be an average of nearly (912265*0.008) = 7878 businesses within the Sedibeng District Municipality. The survey thus give a 5 per cent representation of the perceptions of business owners within the Sedibeng District Municipality.

4.2.3 MEASURING INSTRUMENT AND DATA COLLECTION

A measuring instrument may be defined as the systematic and continues process in which events or objects are quantified with respect to one particular dimension (Weiner, 2007:4). Weiner (2007:4) further states that there are four different types of measurements which are used in research, namely ordinal, nominal, interval and ration. The study will focuses on the collection of primary data, with the use of a structured, self-administered questionnaire where questions are constructed in terms of the literature review and questions that were done in similar studies on the subject (Meyer, 2014). The questionnaire includes three tested and validated scales that have been used in an article by Meyer (2014). The use of these scales and questions allow for enough data to be collected to achieve the primary objectives as well as the empirical objectives of the study.

The questionnaire (Annexure B) includes four major categories in the perceptions of service delivery. The first section is the basic demographic information for each of the business owners, the second section includes the five most notable service delivery perceptions as well as municipal practices. The five point Likert scale is used because it measures the respondents' attitude towards a certain topic or statement (Albaum, 1997:332). The last section of the questionnaire includes the twelve factors for an enabling environment which includes factors such as the alleviation of poverty, formation of partnerships, social development, the access of transportation, the development of entrepreneurs, spatial and environmental plans, agriculture development, human resource development and safety and security (Meyer, 2014).

The main aim of the survey is to evaluate the people's perceptions and experiences with regards to public service delivery and to rank the factors contributing to the creation of an enabling environment according to the business owners experience with the local government.

4.2.4 STATISTICAL ANALYSIS

The statistical analysis in research is defined as the mathematical tool for the quantitative interpretation of the results, and it serves as a good measure for extracting the information from the data (Peters, 2011:2). The main source of information is primary data with the use of a specific application software named IBM (SPSS) Statistical Package for Social Sciences 22. SPSS is a statistical package used for the interpretation of raw data, and it is mostly used sociology, psychology and other relevant social sciences (Landou & Everitt, 2004:5). The data was collected per questionnaire from each business owner in the local municipalities. The main component used in the package is the use of descriptive and frequency descriptive statistics

The Five point Likert scale have been used in the questionnaire to determine which factors the business owners perceive as the most negative or positive. The Pearson Chi-square was also used to determine if there is a significant difference between the perceptions of the business owners.

Secondary data was also used within the study to evaluate which factors influences the level of economic development of the region the most, with the use of a basic correlation matrix. For the purpose of this study, the HDI (Human Development Index) is used as the variable for economic development (Noorbakhsh, 2008:590), the other variables includes infrastructure, crime, total GDP and informal housing. E-views 8 is the statistical programme used to interpret the data and are seen as programme mostly used to for time series data (Schott, 2014:1). The data was obtained from Regional Explorer (GI), however, the limitation to the use of this programme is that total number of observations are only 20, from the year 1996 until 2016.

4.3 RESULTS

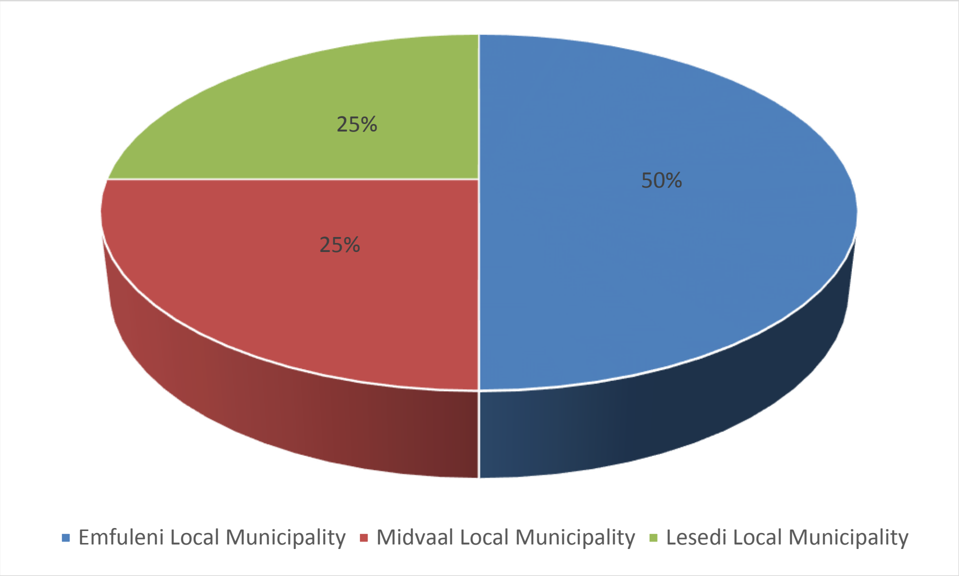
The first part of this analysis is the questionnaire/primary data interpretation of the Survey (Questionnaires) shown in Annexure B. The questionnaire is divided into three sections namely: Basic demographic information of the business, public service delivery questions, municipal practices and the factors contributing to the creation of an enabling environment.

4.3.1 BASIC DEMOGRAPHIC INFORMATION OF RESPONDENTS.

The total number of questionnaires distributed within the study area were a total of 200, and 200 were completed, indicating a response rate of 100 per cent. Firstly, the basic demographic data for the respondents needs to be evaluated, and it includes various aspects such as the ethnic origin, age, gender, the role of the business owner, educational levels and the sector in which they operate in, the size of the business and the number of employees.

Figure 4.1 gives a representation of the total number of respondents per municipal area. The majority of the respondents resided in the Emfuleni local municipality which major towns include Vereeniging and Vanderbijlpark. The percentage of respondents per municipal area was pre-determined due to the large population size in Emfuleni and the smaller population sizes in the Midvaal and Lesedi local municipalities. There was 50 per cent of respondents within the Emfuleni local municipality and 25 per cent each within the Midvaal and Lesedi local municipalities.

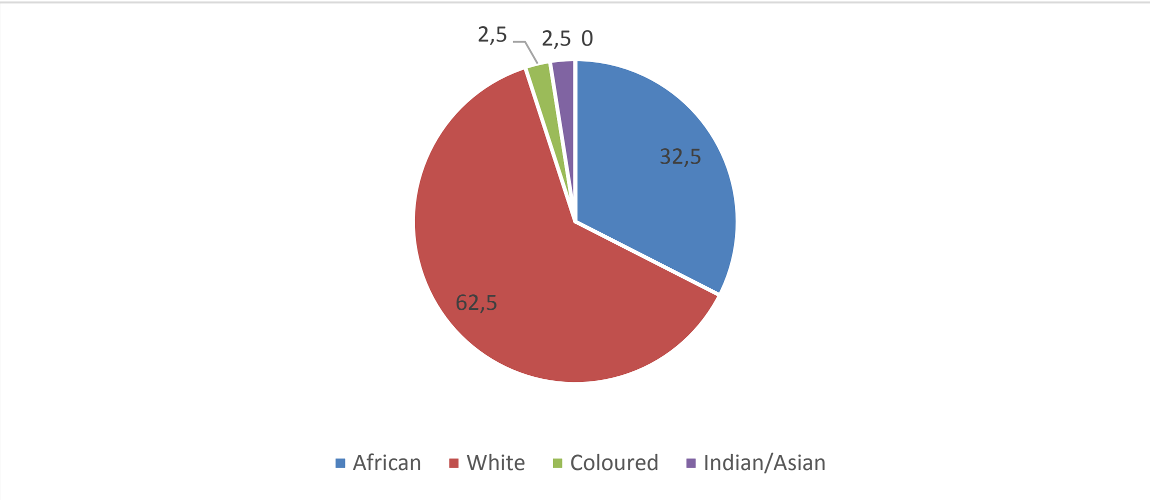
Figure 4.1: Respondents per municipal area.



Source: Survey data 2016

Figure 4.2 shows the distribution of the ethnic origin for all the business owners in the survey. The majority of business owners were white, while only 32.5 per cent of the business owners were African. The total for both the Coloured and the Indian and Asian business owners were only 5 per cent of the entire business owners' population.

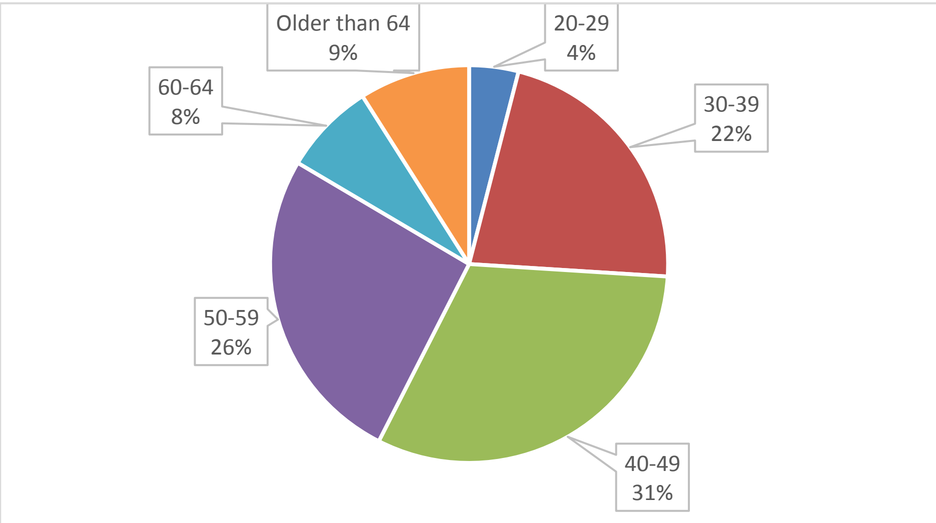
Figure 4.2: Ethnic origin of business owners



Source: Survey Data 2016

Figure 4.3 indicates the age distribution of all the business owners within the Sedibeng District Municipality. Most of the business owners were between the ages of 40 to 49 and 50 to 59, indicating that a large proportion of the business owners are relatively old. A very small percentage of the business owners were between the ages of 20 to 29 and 60 to 64, this shows that the majority of business owners are between the ages of 30 to 59.

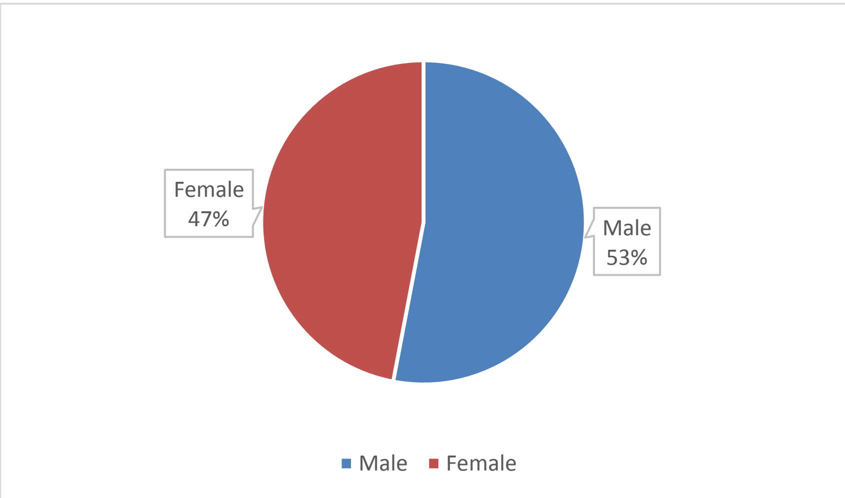
Figure 4.3: Age distribution of business owners



Source: Survey Data (2016)

Figure 4.4 shows the gender distribution of the business owners within the study. The gender of the business owners indicates that 53 per cent of the respondents were males, while only 47 per cent were females. Most of the local business owners are male entrepreneurs in the region, indicating that the level of female entrepreneurship or businesses are very low compared to their male counterparts. It is important to note that the level of female entrepreneurship in the region seems to be very slow or declining, while the males have the majority of the businesses in the region, while the woman are employed more in the administrative part of the business.

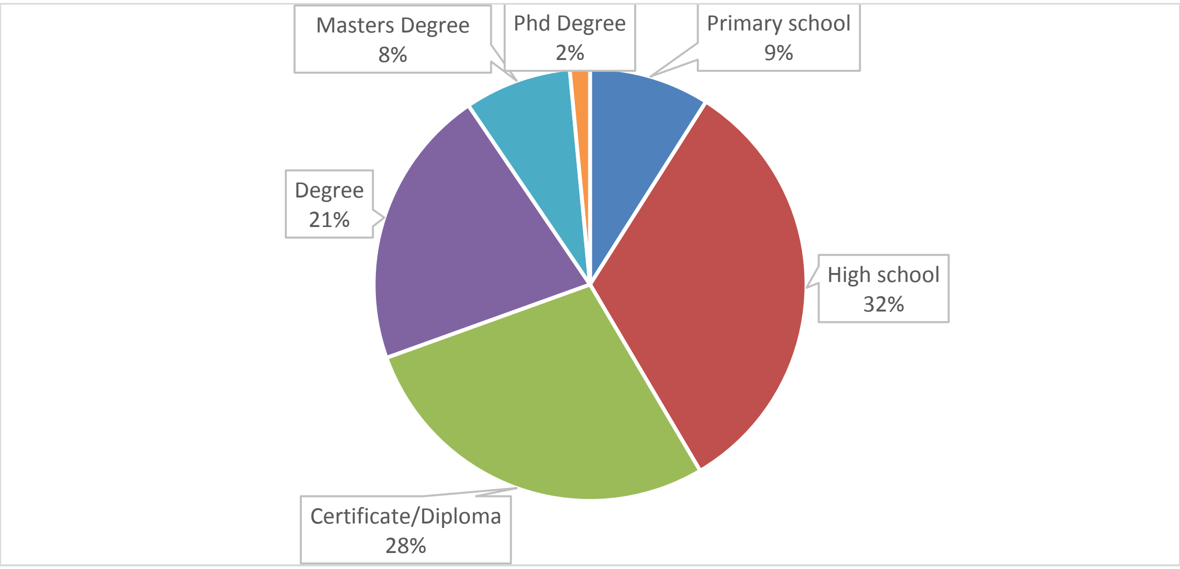
Figure 4.4: Gender distribution of business owners



Source: Survey Data (2016)

Figure 4.5 shows the highest level of qualification for the business owners within the study. Most of the business owners only have a high school certificate or a certificate/diploma as their highest level of education (which accounts for more than 61 per cent of the total population size). This might be good explanation for the reason why the a large percentage of the total workforce doesn't have some sort of degree or diploma, because they typically get involved in a business venture right after they passed matric.

Figure 4.5: Highest level of education of business owner

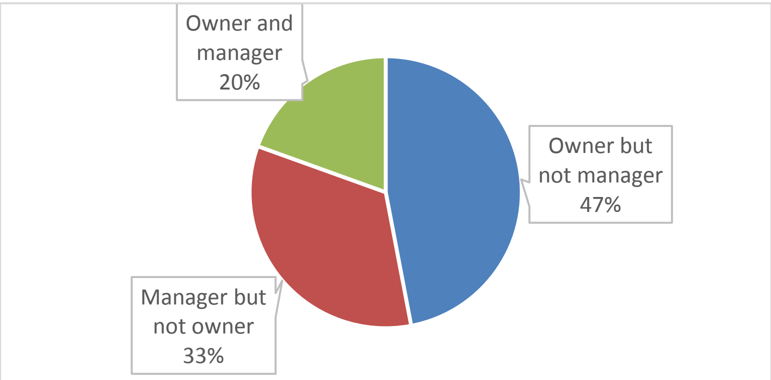


Source: Survey Data (2016)

4.3.2 BUSINESS DESCRIPTION DETAILS

As part of the basic demographic information for each of the business owners, the business also needs to be evaluated in terms of certain characteristics. The main components for the business description include the role of the business owner, the type of business operated in, and size of the business as well as the number of full time and part time workers. Figure 4.6 illustrates the role of the business owner within the Sedibeng District Municipality which shows that most of the business owners are the owners and not the manager of the firm. Nearly 47 per cent of the respondents are the owner of the organisation, while a mere 33.5 per cent of the respondents are only the manager of the firm.

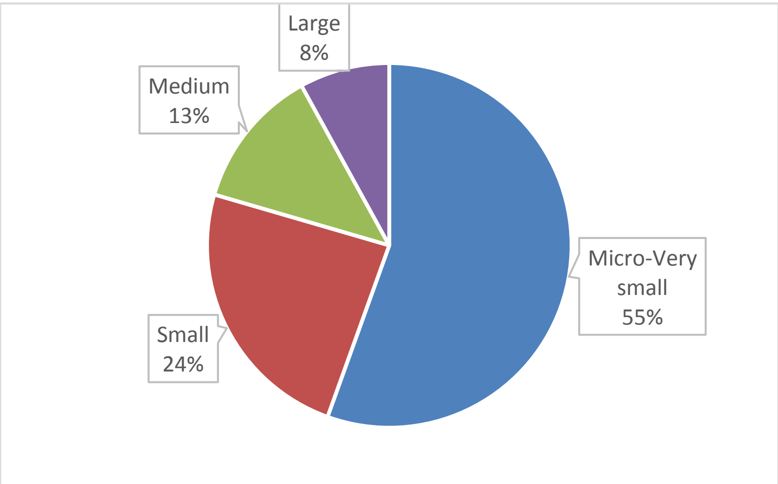
Figure 4.6: Role of the business owner



Source: Survey Data (2016)

Figure 4.7 gives a representation of the size of the business in which the business owners operated in. Most of the businesses in the study are very small in size which means that most of the firms have a number of full time employees under 10 people. The total turnover of the micro-very small organisations are more than R150 000 but less than R4 million in total annual turnover. The number of small businesses plays a significant role in the local economy as it enables job creation and economic growth whilst increasing economic participation in the black community (Luiz, 2007:58). Brink *et al.,* (2003:18) states that small businesses contribute largely towards the economic growth and job creation of the South African economy, while redressing the inequalities of the past. The research found that most of the businesses only have between 1 to 10 employees, indicating that SMME's have a significant impact on the growth of the local economy.

Figure 4.7: Size of business operated in

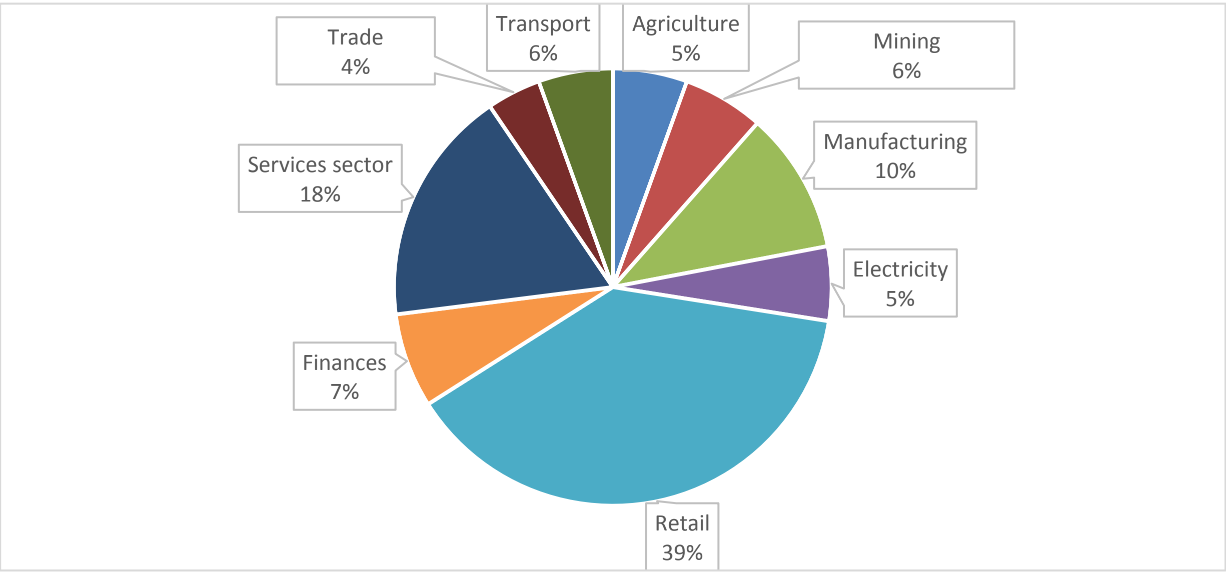


Source: Survey Data (2016)

Figure 4.8 illustrates the various sectors in which the businesses are operating in, indicating that most of the businesses are part of the retail services sector, while only a very small percentage of businesses are operating in the trade, transport, and agriculture and mining sectors in the local economy. The services sector includes a wide variety of services which the businesses are providing to the local communities, these services may include businesses such as computer specialists, barber shops and real estate agents (Steynes, 2012).

According to Statistics South Africa (2016) the sectors which contributes the most to the South African economy is the finance sector, retail sector and services sector (20.3 per cent), general government services (16.5 per cent), wholesale retail and trade (14.3 per cent) followed by the manufacturing sector (13.7 per cent). It is evident from the statistics that the retail sector plays a significant role in the National economy, while the other important sectors such as the manufacturing and mining sector are falling behind. According to the South African Reserve Bank (2009:26) the central government have a large influential role in the economic sector of South Africa. The main sectors include the agricultural, minerals and energy, communications, trade and industry, transport, housing, land affairs and tourism (SARB, 2009:26). It is thus important for the central government to support these quasi corporations and assist them in terms of employment opportunities, economic growth and sustainability.

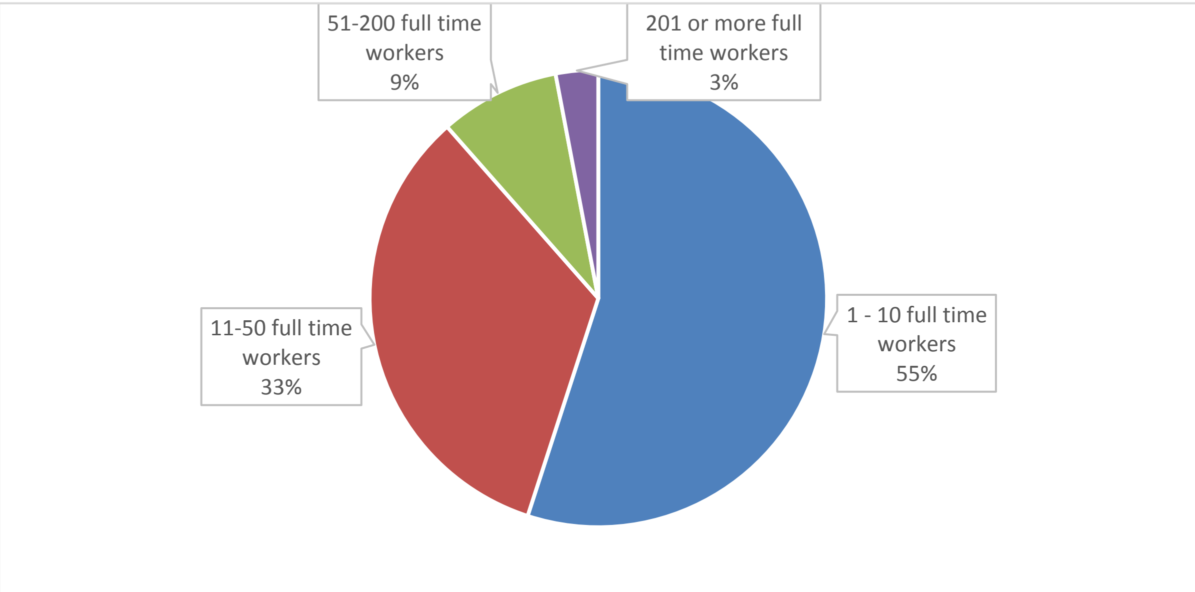
Figure 4.8: Sector of business operated in



Source: Survey Data (2016)

Figure 4.9 illustrates the number of full time workers in the survey, which illustrates that most of the businesses had between 1 to 50 full time employees, while only 11.5 per cent of the total respondents had more than 51 full time employees.

Figure 4.9: Number of full time workers



Source: Survey Data (2016)

4.3.3 COMPARATIVE ANALYSIS: GENERAL PERCEPTION OF SERVICE DELIVERY

Before the interpretation of the data may continue, one firstly have to look at the reliability of the results. The Cronbach's Alpha is the most commonly used measure of reliability in statistics. The value of the Cronbach's Alpha are between the values 0 and 1, whereby the closer the value are to 1 the higher the variance in the statistics (Allen, 2011:2). The Cronbach's alpha result in this study is equal to 0.77, which indicates that the tests are reliable, because any score above 0.7 are regarded as a reliable statistic (Ritter, 2010:13).

Table 4.2: Reliability test

Cronbach's alpha	No of items
0.770	24

Source: SPSS

The first question within Section B of the questionnaire was: "What is your general perception of service delivery by the local municipality?". The respondent had a choice between four answers, which are based on the 4 point Likert scale.

1 Poor	2 Below acceptable	3 Acceptable	4 Excellent

Table 4.3 illustrates the general perception of service delivery in terms of the quality of overall public services. The lowest recorded mean value (between 0 and 4) were Emfuleni at 1.950 while

the highest recording mean was Midvaal at 3.1800. Overall we can draw the conclusion that public service delivery within the Midvaal area are better than both the ELM and LLM.

Table 4.3: Descriptive statistics for general perception of service delivery

Service Delivery Perceptions	Mean value			
Municipal area	Emfuleni (N=100)	Midvaal (N=50)	Lesedi (N=50)	Best performing municipality
General Perception of Service Delivery	**1.950**	**3.1800**	**2.440**	**Midvaal**

Source: Survey Data (2016)

Table 4.4 illustrates the perceptions of the business owners per municipal area within the Sedibeng District Municipality.

- More than 72 percent of all the business owners within the Emfuleni Local Municipality had a negative perception towards overall service delivery, feeling that service delivery is either poor or below acceptable standards. A very small margin of the total sample size had a positive perception towards service delivery, with a 27 per cent total feeling satisfied with service delivery.
- The Midvaal Local Municipality paints a whole different picture, because 94 percent of the business owners felt service delivery is excellent or acceptable, while a mere 6 percent of the sample size had a negative perception towards service delivery.
- The Lesedi Local Municipality had moderate perception towards service delivery within the local municipality. Only 44 percent felt that service delivery was either poor or acceptable while 56 percent had a positive perception towards the services provided to the local communities.

Table 4.4: Cross tabulation on general perception of service delivery per municipal area

General perception of service delivery		Emfuleni LM	Midvaal LM	Lesedi LM
Poor	Count	37	1	14
	% within municipal area	37%	2%	28%
Below acceptable	Count	36	2	8
	% within municipal area	36%	4%	16%
Acceptable	Count	22	29	18
	% within municipal area	22%	58%	36%
Excellent	Count	5	18	10
	% within municipal area	5%	36%	20%
	Total (count)	100	50	50
	Total (percentage)	100%	100%	100%

Source: Survey Data (2016)

The next part in determining whether there are any significant differences between the perceptions of the three municipalities, the Chi square test will be performed. The Chi square test is mostly used in statistics as it serves as a “goodness -of-fit” test to evaluate two or more dimensions, and if whether there is a significant difference between two or more variables (Howell, 2013:1). The Chi square test is very important as it determines the causal relationship between the various attributes to be compared, and it also determines the association of variables which needs to be compared. The hypothesis for this variables may be defined as:

$H0 = Major\ difference\ in\ perceptions\ of\ business\ owners$

$Ha = Not\ a\ major\ difference\ in\ perceptions\ of\ business\ owners$

The null hypothesis can be defined where there are any significant differences between the perceptions of the business owners, while the alternative hypothesis are used to estimate whether there are no significant diffrences in perceptions of the three municipalities.

Table 4.5: Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	61.260	8	0.000
Likelihood Ratio	69.151	8	0.000
Linear-by-Linear Association	14.105	1	0.000
N of valid cases	200		

Source: Survey Data (2016)

The p-value for the chi-square test is equal to 0.000 which reveals that there is a significant difference in the perceptions of business owners. The alternative hypothesis may be defined as the three municipalities not having a significant difference in terms of the general perception of service delivery within the three local municipalities.

4.3.4 COMPARATIVE ANALYSIS: PUBLIC SERVICE DELIVERY PERCEPTIONS

Public services may be defined as those specific services which are funded completely by the taxation of businesses and citizens, as such it is the responsibility of the local government to provide these specific services to the communities and businesses in the most efficient and effective manner (Humphreys, 2007:8). For the purpose of this study it was decided to make use of five different public service delivery categories, such as water availability, electricity supply, roads provision and maintenance as well as incorrect municipal accounts. The Five-Point Likert scale was used for this study, which indicates that the closer the numerical value is to 5, the more satisfied the business owners are with service delivery and vice versa. In Annexure B, public service delivery perceptions starts from question 12. This section will provide an in depth analysis of the differences in perceptions per municipal area. The main aim of this analysis is to evaluate the differences in perceptions for the three respective municipalities.

Table 4.6 gives an indication of the public service delivery perceptions based on various factors. The questions were based on question 13 of the questionnaire in Annexure B. The respondent had a choice between five possible alternatives, which are based on the Five-point Likert scale.

1 Very poor	2 Poor	3 Barely acceptable	4 Good	5 Very Good

Overall, the Midvaal Local Municipality (MLM) are performing better than both Lesedi Local Municipality (LLM) and the Emfuleni Local Municipality (ELM) in terms of public services. Areas where the MLM may improve includes planning and zoning regulations as well as the provision of electricity. From the three municipalities it is evident that the Midvaal Local Municipality is performing better in terms of public services than the two other municipalities. The ELM and LLM needs to focus on areas such as the quality of roads infrastructure, availability of water and the provision of correct municipal accounts. One major concern from the business owners in both the ELM and the LLM was the standards of the public roads within their communities, which indicated a calculated mean of (2.0000) and (2.18000) respectively. Electricty provision is also major concern for the business owners within the ELM and MLM which showed a mean value of (2.4600) and (3.7400) respectively.

Table 4.6: Descriptive statistics for public service delivery perceptions

Public services	**Mean value**			
Municipal area	Emfuleni (N=100)	Midvaal (N=50)	Lesedi (N=50)	Best performing municipality
(1) Availability of water	3.2300	4.6100	4.5200	**Midvaal**
(2) Correct municipal accounts	3.2800	4.1200	3.0600	**Midvaal**
(3) Zoning and planning regulations	3.1735	3.1600	2.9200	**Emfuleni**
(4) Electricity provision	2.4600	3.7400	3.8600	**Lesedi**
(5) Quality of roads	2.0000	3.5600	2.1800	**Midvaal**
Total average	**2.8287**	**3.8380**	**3.3080**	**Midvaal**

Source: Survey Data (2016)

Table 4.7 gives a representation of the respondents perception towards the availability of water per municipal area:

- More than 48 percent of the respondents within the ELM had a negative perception towards the availability of water within their specific region, while only 31 percent had a positive perception towards the availability of water within the Emfuleni municipal area.
- Business owners within the Midvaal Local Municipality had a positive perception towards the provision of water to the community. Exactly 86 percent of the respondents had a positive perception towards the availability of water, while only 4 percent thought the availability of water was very poor.
- The business owners within the Lesedi Local Municipality (LLM) had a very positive response towards the availability of water and sewer provision. Nearly 92 percent of the total respondents had a positive response towards the availability of water.

Table 4.7: Water Availability: Cross tabulation

Water Availability and sewer provision		Emfuleni	Midvaal	Lesedi
Very Poor	Count	19	1	1
	% within municipal area	19%	2%	2%
Poor	Count	30	1	1
	% within municipal area	30%	2%	2%
Barely acceptable	Count	20	5	2
	% within municipal area	20%	10%	4%
Good	Count	14	16	13
	% within municipal area	14%	32%	26%
Very Good	Count	17	27	33
	% within municipal area	17%	54%	66%

Electricity provision are illustrated by table 4.8 within the diffrences in perceptions of the three local municipalities.

Table 4.8 gives a represenatation of the diffrences in perceptions with regards to electricity provision within the three local municipalities:

- Electricity provision within the Emfuleni Local Municipality (ELM) is very poor, considering that nearly 70% of the respondents felt that the provision of electricity is weak, while only 15 percent perceived it as good.
- Electricity provision may improve within the Midvaal Local Municipality (MLM) because 30 percent of the total number of respondents felt that electicity are barely acceptable, however, the majority gave positive ffedback on the provision of electricity to the local municipality.
- Electricty provision within the Lesedi Local Municipality (LLM) is one aspect which are very good within this local municipality, because 68 percent of respondents felt that electricity provision within the municipal area are very good.

Table 4.8:Electricity provision: Cross Tabulation

Electricity provision		Emfuleni	Midvaal	Lesedi
Very poor	Count	30	1	2
	% within municipal area	30%	2%	4%
Poor	Count	40	5	7
	% within municipal area	40%	10%	14%
Barely acceptable	Count	15	15	7
	% within municipal area	15%	30%	14%
Good	Count	8	15	14
	% within municipal area	8%	30%	28%
Very good	Count	7	14	20
	% within municipal area	7%	28%	40%

Table 4.9 is a representation of the roads infrastructure within the three irrespective municipalities of the Sedibeng District Municipality:

- Roads infrastructure in both the ELM and LLM are precieved as very poor (78 percent) and (64 percent), a median value of only 5 percent of the business owners felt that roads provision are excellent.
- The majority of business owners within the Midvaal Local Municipality (MLM) felt that the quality of roads are very good condition, while only 10 percent had a negative perception towards the quality of roads infrastructure. Overall the quality of roads and road infrastructure are better in Midvaal than in Emfuleni and Lesedi.

Table 4.9: Roads provision and maintenance: Cross tabulation

Roads provision and maintenance		Emfuleni	Midvaal	Lesedi
Very poor	Count	39	5	19
	% within municipal area	39%	10%	38%
Poor	Count	39	4	13
	% within municipal area	39%	28%	26%
Barely acceptable	Count	14	12	10
	% within municipal area	14%	24%	20%
Good	Count	4	16	6
	% within municipal area	4%	32%	12%
Very good	Count	1	13	2
	% within municipal area	6.3%	26%	4%

Table 4.10 illustrates the perceptions of business owners on incorrect municipal accounts for the three local municipalities within Sedibeng:

- Most of the business owners within the ELM (Emfuleni Local Municipality) felt that the municipal accounts they received from the municipality were correct, while only 25 percent thought the standards were very poor.
- Within the Midvaal Local Municipality (MLM) the perceptions of the business owners towards the municipal accounts were relatively good, while only 6 percent thought it was poor or below acceptable standards.
- The Lesedi Local Municipality (LLM) business owners had a relatively poor perception towards the provision of municipal accounts. Only 16 percent of the total population size had a positive perception towards the provision of municipal accounts.

Table 4.10: Incorrect Municipal accounts: Cross Tabulation

Incorrect municipal acounts		**Emfuleni**	**Midvaal**	**Lesedi**
Very poor	Count	8	1	9
	% within municipal area	8%	2%	18%
Poor	Count	17	2	6
	% within municipal area	17%	4%	12%
Barely acceptable	Count	28	9	16
	% within municipal area	28%	18%	32%
Good	Count	25	16	11
	% within municipal area	25%	32%	22%
Very good	Count	22	22	8
	% within municipal area	22%	44%	16%

Table 4.11 represents the diffrences in perceptions towards planning and zoning regulations within their particular local municipality:

- Planning and zoning regulations within the Emfuleni Local Municipality are very good. Most of the business owners perceived that there is adequate planning regulations, while a minority of 13 percent thought it was very poor.
- The Midvaal Local Municiplality might focus their attention more towards planning and zoning regulations in particular regions. The overall consensus is that planning and zoning regulations are perceived as barely acceptable (30 percent of all respondents).
- Most of the business owners within the Lesedi Local Municipality (LLM) gave positive feedback on planning and zoning regulations, however, the majority of business owners felt that planning and zoning regulations are barely acceptable.

Table 4.11: Planning and zoning regulations: Cross Tabulation.

Planning and zoning regulations		Emfuleni	Midvaal	Lesedi
Very poor	Count	13	9	3
	% within municipal area	13%	18.0%	6.0%
Poor	Count	19	4	6
	% within municipal area	19%	8.0%	12%
Barely acceptable	Count	15	15	16
	% within municipal area	15%	30%	32%
Good	Count	12	13	12
	% within municipal area	12%	26%	24%
Very good	Count	21	9	3
	% within municipal area	21%	18%	6%

Source: Survey Data (2016)

Within the next section of the study, the chi-square will be used in order to evaluate the signifigance in the diffrences of perceptions for the five different factors of public service delivery. The hypothesis for this variables may be defined as:

$H0 = Major\ difference\ in\ perceptions\ of\ business\ owners$

$Ha = Not\ a\ major\ difference\ in\ perceptions\ of\ business\ owners$

The null hypothesis can be defined where the three municipalities have a major difference in the perceptions of public service delivery factors, while the alternative hypothesis may be defined as where the three municipalities don't have a major difference in perceptions with regards to service delivery.

Table 4.12: Chi square tests for three municipalities

Water availability and sewer provision	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	82.432	8	0.000
Electricity provision			
Pearson Chi-Square	71.277	8	0.000
Roads provision and maintenance			
Pearson Chi-Square	73.585	10	0.000
Incorrect municipal accounts			
Pearson Chi-Square	23.680	8	0.003
Planning and zoning regulations			
Pearson Chi-Square	21.851	8	0.005

Source: Survey Data (2016)

The null hypothesis for most of the factors may be accepted, and there are significant differences in perceptions for the three different municipalities in terms of basic service delivery perceptions. The chi square test gives an indication that there is a significant difference in terms of service delivery perceptions for the three municipalities in terms of water availability, electricity provision as well as roads provision and maintenance, with the p value being 0.000. Factors such as incorrect municipal accounts as well as planning and zoning regulations are however not significant in terms of differences in perceptions towards service delivery, indicating that business owners had the same level of perceptions towards service delivery with regards to planning and zoning regulations as well as incorrect municipal accounts, with a p value of 0.005 and 0.003

4.3.5 COMPARATIVE ANALYSIS: MUNICIPAL PRACTICES PERCEPTIONS

Municipal practices may be defined as the actions by the local authorities to improve immigrant integration (Ponzo, 2013). Municipal practices should further be defined as the delivery of services to the local communities in terms of Human Resource Development, Local Economic Development and leadership (Pretorius & Schurink, 2007:20). For the purpose of this study, it was decided to use five municipal practices such as red tape regulations, unstable management, vague and uncertain policies, corruption and irregular practices as well as poor public participation. The business owners ranked each of the factors whereby 1 is indicated as a low impact on the business, while the number 5 was indicated as a high negative impact on business activities.

Table 4.13 is a representation of the impact that municipal practices have on the overall flow of business activities. The questions were based on question 14 of the questionnaire in Annexure B. The respondent had a choice between five possible alternatives, which are based on the Five-point Likert scale.

1 Very low impact	2 Low impact	3 Moderate impact	4 High impact	5 Very high impact.

Table 4.13 is a representation of the the impact that municipal practices have on the flow of business activities. Overall, most of the municipal practices influenced the Midvaal Local Municipality business owners the least, meaning that the specific factors which may have a negative influence on business activities are less significant. Areas for improvement within the Midvaal Local Municipality (MLM) may include an improvement in red tape regulations as well as municipal services costs. Municipal practices which have a significant impact on the the local economy within the Emfuleni Local Municipality includes corruption and irregular practices as well as poor public participation. Corruption and irregular practices as well as municipal services costs have a negative influence on business activities within the Lesedi local Municipality, however, areas where it is less significant and have a lower impact on business activities include vague and uncertain policies and poor public participation between businesses, people and the local communities.

Table 4.13: Descriptive statistics for Municipal Practices

Municipal practices (negative)	Mean value			
Municipal area (Target: Low mean value)	Emfuleni (N=100)	Midvaal (N=50)	Lesedi (N=50)	Best performing municipality
(1) Red tape regulations	2.5600	2.9600	3.4600	**Midvaal**
(2) Corruption and irregular practices	3.7200	2.7000	4.0600	**Midvaal**
(3) Vague and uncertain policies	2.8600	2.7200	2.8200	**Midvaal**
(4) Unstable management	3.1414	2.5600	3.3600	**Midvaal**
(5) Poor public participation	3.4250	2.4400	3.3200	**Midvaal**
(6) Municipal services costs (Rates and taxes)	2.7200	3.5200	4.2000	**Emfuleni**
Total average (lowest score)	**3.0710**	**2.8166**	**3.5363**	**Midvaal**

Source: Survey Data (2016)

Table 4.14 shows the diffrences in perceptions with regards to red tape regulations for the three diffrent local municipalities.

- Within the Emfuleni Local Municipality (ELM) the impact which red tape regulations have on the overall functioning within the municipality is a relatively high impact. 48 percent of all the business owners felt that red-tape should be reduced, because it has a negative impact on business activities.
- Red-tape regulations within the Midvaal Local Municipality (MLM) are less severe, and most of the business owners have a positive perception towards the opening of a new business within the area.
- The business owners within the Lesedi Local Municipality (LLM) felt that red-tape regulations within the municipality have a large influence on the business activities. There were 54 percent of the total number of business owners who had a negative response towards the implementation of red-tape regulations.

Table 4.14: Red tape regulations: Cross tabulation

Red tape regulations		Emfuleni	Midvaal	Lesedi
Very low impact	Count	23	11	6
	% within municipal area	23%	22%	12%
Low impact	Count	28	11	4
	% within municipal area	28%	22%	8%
Moderate impact	Count	23	12	12
	% within municipal area	23%	24%	24%
High impact	Count	22	9	12
	% within municipal area	44%	18%	24%
Very high impact	Count	4	7	15
	% within municipal area	4%	14%	30%

Table 4.15 illustrates the diffrences in perceptions pertaining unstable management within the local municipalities.

- Unstable management has a negative impact on the business activities of an organisation, because if the management from the municipalities are inadequate, it will have a large negative influence on the implementation of certain projects. More than 39 percent of all the respondents felt that unstable management had a negative influence on business activities within the Emfuleni Local Municipality.
- Unstable management had a less severe impact on business activities within the Midvaal Local Municipality, because 40 percent of the total respondents said that it had a low impact on business activities.
- The business owners within the Lesedi Local Municipality (LLM) felt that unstable management have a higher impact on business activities. There were 50 percent of all the respondents who felt that unstable management have a negative impact on business activities.

Table 4.15: Unstable management: Cross tabulation

Unstable management		Emfuleni	Midvaal	Lesedi
Very low impact	Count	10	14	0
	% within municipal area	10%	28%	0%
Low impact	Count	25	6	11
	% within municipal area	25%	12%	22%
Moderate impact	Count	24	15	14
	% within municipal area	24%	30%	28%
High impact	Count	21	10	21
	% within municipal area	21%	20%	42%
Very high impact	Count	19	5	4
	% within municipal area	19%	10%	8%

Vague and uncertain policies will always have a negative influence on the business practices of an organisation, as such, it is the responsibility of the municipality to ensure that all the rules and regulations are given to the businesses with the aim of improving policy formulation.Table 4.16

shows the diffrences in perceptions towards vague and uncertain policies within the three respective municipalities.

- Vague and uncertain policies have a low overall impact on the business activities within the Emfuleni Local Municipality. There were 45 percent of the total respondents who added that vague and uncertain policies have a very low impact on the business activities.
- The Midvaal Local Municipality (MLM) business owners also felt that vague and uncertain policies have a low impact on the business flow within the organisations, which accounts to 54 percent of all the business owners.
- The Lesedi Local Municipality (LLM) business owners felt that vague and uncertain policies only have a moderate impact (32 percent) on the total flow of business activities within their specific municipal area.

Table 4.16: Vague and uncertain policies: Cross Tabulation

Vague and uncertain policies		Emfuleni	Midvaal	Lesedi
Very low impact	Count	23	13	7
	% within municipal area	23%	26%	14%
Low impact	Count	22	14	13
	% within municipal area	22%	28%	26%
Moderate impact	Count	16	7	16
	% within municipal area	16%	14%	32%
High impact	Count	24	9	10
	% within municipal area	24%	18%	20%
Very high impact	Count	15	7	4
	% within municipal area	15%	14%	8%

Municipal service costs may be associated with the fees and tariffs which are being implemented by the local municipality in terms of costs for both residential and industrial areas. Table 4.17 represents the perceptions of the different municipalities within the Sedibeng Distict Municipality.

- The Emfuleni Local Municipality (ELM) shows that the municipal services costs doesn't have a major influence on the business activities. There are only 34 percent of the sample size who thought that municipal services costs are very high.
- Municipal services costs within the Midvaal Local Municipality (MLM) are very high, because 40 percent of the total sample size felt that municipal services costs have a very high impact on business activities.
- The business owners also felt that municipal services costs within the Lesedi Local Municipality (LLM) are very high, and it has a major influence on business activities. 72 Percent of the respondents felt that municipal costs very high and it influences business activities in a very negative manner.

Table 4.17: Municipal services costs: Cross Tabulation

Municipal services costs		Emfuleni	Midvaal	Lesedi
Very low impact	Count	25	4	1
	% within municipal area	25%	8%	2%
Low impact	Count	26	13	5
	% within municipal area	26%	26%	10%
Moderate impact	Count	15	9	8
	% within municipal area	15%	18%	16%
High impact	Count	20	4	5
	% within municipal area	20%	8%	10%
Very high impact	Count	14	20	31
	% within municipal area	14%	40%	62%

Table 4.18 is a representation of the perceptions towards corruption and irregular practices for the Sedibeng District Municipality (SDM), the three areas to be used for comparison includes Emfuleni, Midvaal and Lesedi.

- The Emfuleni Local Municipality (ELM) shows that corruption and irregular practices have a large negative influence on business activities. More than 65 percent of the respondents felt that corruption had a major influence on the flow of business activities.
- Corruption and irregular practices are less significant within the Midvaal Local Municipality (MLM), illustrating that more than 50 percent of the sample size felt that corruption had a low impact on the flow of business activities.
- Nealry 80 percent of all the business owners within the Lesedi Local Municipality (LLM) felth that corruption undermines the development process, as such it influences the specific plans and projects to be implemented within the local municipality.

Table 4.18: Corruption and irregular practices: Cross Tabulation

Corruption and irregular practices		Emfuleni	Midvaal	Lesedi
Very low impact	Count	5	17	0
	% within municipal area	5%	34%	0%
Low impact	Count	14	10	5
	% within municipal area	14%	20%	10%
Moderate impact	Count	18	10	5
	% within municipal area	18%	20%	10%
High impact	Count	30	5	22
	% within municipal area	30%	10%	44%
Very high impact	Count	33	8	18
	% within municipal area	33%	16%	36%

Within the next section of the study, the chi-square will be used in order to evaluate the signifigance in the diffrences of perceptions for the five different factors of public service delivery. The hypothesis for this variables may be defined as:

$H0 = Major\ difference\ in\ perceptions\ of\ business\ owners$

$Ha = Not\ a\ major\ difference\ in\ perceptions\ of\ business\ owners$

The null hypothesis can be defined where the three municipalities have a major difference in the perceptions of municipal practices, while the alternative hypothesis may be defined as where the three municipalities don't have a major difference in perceptions with regards to municipal practices within the specific region.

Table 4.19: Chi square tests for three municipalities

Red tape regulations	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	29.207	10	0.001
Unstable management			
Pearson Chi-Square	30.327	8	0.000
Vague and uncertain policies			
Pearson Chi-Square	9.781	8	0.281
Municipal services costs			
Pearson Chi-Square	47.510	8	0.000
Corruption and irregular practices			
Pearson Chi-Square	50.883	8	0.000

Source: Survey Data (2016)

The null hypothesis for most of the factors may be accepted, and there is a significant differences in perceptions for the three different municipalities in terms of municipal practices. The chi square test gives an indication that there is a relative significant difference in terms of municipal practices perceptions for the three municipalities in terms of unstable management, municipal services costs and corruption and irregular practices (with a p-value of 0.000). Factors such as vague and uncertain policies as well as red tape regulations are however less significant in terms of differences in perceptions towards service delivery (with p-values of 0.281 and 0.001 respectively).

4.3.5 COMPARATIVE ANALYSIS: FACTORS CONTRIBUTING TO THE CREATION OF AN ENABLING ENVIRONMENT

In order for businesses to grow and succeed, there has to be some initiative from the local government to improve basic service delivery and overall business flow. The twelve factors will be tested and evaluated within the study region of the Sedibeng District Municipality. Table 4.6 shows the basic descriptive statistics of the business owner's perceptions towards the twelve factors of the enabling environment.

With regards to the improvement in access to transportation, the Lesedi Local Municipality (LLM) are performing the best in terms of the availability of public transportation.

Table 4.20: Factors contributing to the creation of an enabling environment

Enabling Environment Factors	**Mean value**			
Municipal area	Emfuleni (N=100)	Midvaal (N=50)	Lesedi (N=50)	Best performing municipality
(1) Improvement in access to transportation	2.8700	3.3000	3.7800	**Lesedi**
(2) Entrepreneurship development	2.9100	2.8000	2.6500	**Emfuleni**
(3) Structures and policies	2.7100	3.4200	2.800	**Midvaal**
(4) Economic Development Initiatives	3.4400	3.4000	1.9600	**Emfuleni**
(5) Partnership Formation	2.0400	3.3800	2.7000	**Midvaal**
(6) Environmental and spatial plans	2.7100	3.0200	3.1200	**Lesedi**
(7) Agricultural development	2.8410	2.7600	3.8600	**Lesedi**
(8) Infrastructure plans	2.9600	3.1800	2.7200	**Midvaal**
(9) Safety and security	3.6200	2.7800	3.7000	**Lesedi**
(10) Leadership	2.9400	3.4600	2.2000	**Midvaal**
(11) Development in Human resources	2.3700	3.1200	2.4600	**Midvaal**
(12) Poverty alleviation and social development	1.8700	3.4000	1.8900	**Midvaal**
Total Average Score	**2.7730**	**3.1683**	**2.8200**	**Midvaal**

Source: Survey Data (2016)

Table 4.20 gives a good representation of the factors contributing to the creation of an enabling environment for the three local municipalities within the Sedibeng District Municipality. The top performing municipality is Midvaal (scoring six out of the twelve factors), while Lesedi and Midvaal only have four and two respectively. The Midvaal Local Municipality (MLM) are very strong in terms of partnership formations (linkage between business, government and community), structures and policies, leadership, human resource development as well as poverty alleviation and social development. The Emfuleni Local Municipality (ELM) are very strong in terms business development and economic development intiatives, such as (LED) Local Economic Development. The Lesedi Local Municipality (LLM) are very good in terms of access to transportation, improving the spatial framework and environmental plans, agricultural development as well as safety and security.

In terms of the provision of an enabling environment within a certain region, it is important for the local government to create the space for development initiatives. Overall the Midvaal Local Municipality are performing very good in terms the creation of an enabling environment and overall economic development objectives, however, some areas need more focus such as agricultural development and entrepreneurship development.

4.3.7 SUMMARRY OF PRIMARY RESULTS

From the results obtained from the community survey of the Sedibeng District Municipality (SDM) it can be conluded that the Midvaal Local Municipality (MLM) are performing the best in terms of the provision of basic services and creating the enabling environment for the community. In general the business owners had a more positive opinion on the MLM than on the ELM and LLM due to the excellent service delivery and good infrastructure. Public service delivery perceptions as well as the factors contributing to the creation of an enabling environment are better within the Midvaal Local Municipality than both the Lesedi and Emfuleni Local Municipalities. Areas for improvement within the Lesedi and Emfuleni Local Municipality may include better partnership formation and quality leadership in order to maintain a degree of improvement on a local economic development sphere. It is thus very important for both the Emfuleni Local Municipality and the Lesedi Local Municipality to improve in terms of poverty alleviation and the development of social services in order to establish the foundation for the enabling environment.

4.4 ECONOMIC ANALYSIS ON HDI AND OTHER DEVELOPMENT INDICATORS

Secondary data was used to determine whether the enabling environment have a significant impact on the regional economic development. The main purpose of the time series used within the study, was to evaluate which factors of the enabling environment have the highest influence on economic development. Time series statistics namely E-Views 8 was used to determine which of the four identified indicators (crime, infrastructure index, informal housing and GDP) will have the strongest relationship on HDI (Human Development Index). The main aim of this analysis is to evaluate which factors (which are part of the enabling environment) have a significant impact on development (HDI). The programme E-Views 8 was used to do a basic correlation (with the p-value, t-statistic and and correlation result), and the data was collected from Regional Explorer (Global Insights) from the years 1996 until 2016.

4.4.1 CORRELATION RESULTS

The first aspect that needs to be considered is the correlation between the different set of variables. Hauke and Kossowski (2011:87) states that the Spearman’s rank correlation is used as a nonparametric (free-distribution) rank statistic which is used to measure the strength between two set of variables. The correlation analysis is very important because it will help to evaluate which variables have a more significant impact on the other set of variables. The higher the numerical value is to 1, the stronger the two set of variables are correlated to each other. If the numerical value is close to 0 it indicates that there is a weak correlation between the two variables (Bewick, Cheek & Ball, 2003: 451). From Table 4.21 it is clear that HDI has a significant impact on all four variables (which includes crime, informal housing and infrastructure). There is however as negative correlation between HDI and crime, indicating that the higher the crime is in Midvaal the lower the HDI. For both informal housing and infrastructure there is a moderate significant impact on the HDI, indicating that in infrastructure grow the HDI level will also increase. The level of GDP (economic growth) have a significant impact on the HDI (Human Development Index) showing that if the output within the economy increases, it will have a significant impact on the level of economic development and standards of living. The T statistic for total GDP (output), informal housing and infrastructure is higher than 2, indicating that there is a higher correlation between informal housing, infrastructure, total output and informal housing. Infrastructure and total GDP have a significant relationship of 0.916905 which shows that if the overall infrastructure is adequate, it will have a significant impact on output (GDP).

Table 4.21: Correlation Analysis: Midvaal

Correlation **T statistic** **Probability**	**HDI (Human Development Index) 0.73 (average)**	**Total GDP**	**Infrastructure**	**Crime**	**Informal housing**
HDI (Human Development Index) 0.73 (Average)	1.0000				

Total GDP					
Correlation	0.641369	1.00000			
T Statistic	3.546644	----------			
P-value	0.0023	----------			
Infrastructure					
Correlation	0.468878	0.916905	1.00000		
T Statistic	2.252198	9.747055	-----------		
P-value	0.0370	0.00000	----------		
Crime					
Correlation	-0.709040	-0.961048	-0.905469	1.00000	
T Statistic	-4.265936	-14.75263	-9.051528	----------	
P-value	0.0005	0.00000	0.00000	----------	
Informal housing					
Correlation	0.547249	0.811210	0.557093	-0.760855	1.0000
T statistic	2.774033	5.885667	2.846103	-4.974461	---------
P value	0.0125	0.000000	0.0107	0.0001	---------

Source: Eviews 8

Table 4.22 illustrates the covariance analysis of the HDI on the four other variables. There is a positive relationship between HDI, the total GDP and infrastructure. A negative relationship are shown between HDI, crime and informal housing, showing that the level of development will decline if crime increases and the number of informal settlements within the Emfuleni Local Municipality. The total output (GDP) will significantly increase if the overall infrastructure within the municipality increase, indicating that infrastructure does have a significant relationship with overall output. Whenever the crime within the community increases it will have a negative effect on the output as well as the infrastructure within the local municipality. Crime and informal housing have a negative relationship, indicating that if the number of informal settlements increase, the total crime within the region will increase. The t-statistics for HDI and all the other variables are significant, except for informal housing which has a wea negative relationship.

Table 4.22: Covariance Analysis: Emfuleni

Correlation **T statistic** **Probability**	HDI (Human Development Index) 0.67 (average)	Total GDP	Infrastructure	Crime	Informal housing
HDI (Human Development Index) 0.67 (Average)	1.000000				

Total GDP					
Correlation	0.692476	1.00000			
T statistic	4.072309	---------			
Probability	0.0007	---------			
Infrastructure					
Correlation	0.653544	0.988218	1.00000		
T statistic	3.663352	27.39399	----------		
Probability	0.0018	0.00000	----------		
Crime					
Correlation	-0.715720	-0.931998	-0.926336	1.000000	
T statistic	-4.347930	-10.90906	-10.43306	----------	
Probability	0.0004	0.0000	0.00000	----------	
Informal housing					
Correlation	-0.251316	-0.674678	-0.737700	0.522265	1.00000
T statistic	-1.101601	-3.878026	-4.635852	2.598295	----------
Probability	0.2851	0.0011	0.0002	0.0182	----------

Source: Eviews 8

Table 4.23 illustrates the coviarance analysis of the Lesedi Local Municipality (LLM) for the four possible variables which may have an effect on the HDI (Human Development Index). There is a positive relationship between HDI the total GDP, infrastructure, and informal housing. There is a strong positive relationship between the level of infrastructure and the total output of the economy with a t-statistic of 20.838. Crime has a negative impact on the total GDP as well as the infrastructure within the local economy. Total GDP and the overall infrastructure shows a negative relationship towards informal housing, revealing that economic growth and the improvement in overall infrastructure will have a negative relationship with an increase in the total number of informal housing.

Table 4.23: Covariance analysis: Lesedi

Correlation **T statistic** **Probability**	HDI (Human Development Index) 0.67 (average)	Total GDP	Infrastructure	Crime	Informal housing
HDI (Human Development Index) 0.67 (Average)	1.000000				

Total GDP					
Correlation	0.636397	1.00000			
T statistic	3.500307	---------			
Probability	0.0026	---------			
Infrastructure					
Correlation	0.713897	0.979897	1.000000		
T statistic	4.325322	20.83823	-----------		
Probability	0.0004	0.0000	-----------		
Crime					
Correlation	-0.827815	-0.900586	-0.925636	1.00000	
T statistic	-6.260465	-8.790098	-10.37789	----------	
Probability	0.000000	0.000000	0.000000	----------	
Informal housing					
Correlation	0.008211	-0.611282	-0.626452	0.352066	1.00000
T statistic	0.034838	-3.276991	-3.409813	1.595865	----------
Probability	0.9726	0.0042	0.0031	0.1279	----------

Source: Eviews 8

4.5 CONCLUSION

The local government plays a very important role in the attainment of effective and efficient public service delivery to the local community and businesses (The Presidency, 2007:10). It is the responsibility of the local administration in the various local communities to provide economic development in a way which are scale efficient, allocative efficient and dynamic efficient (Van der Westhuizen & Dollery, 2009:165). . The goal of the primary data was to evaluate whether the Sedibeng District Municipality is providing public services and municipal practices to local businesses in an efficient manner. From the results obtained from the various business owners in the three local municipalities it was justifiable that only one of the three local municipalities, namely the Midvaal local municipality provided public services to the business owners in a transparent manner. The other two local municipalities namely the Lesedi local municipality and the Emfuleni local municipality didn't provide services which are satisfactory to the local business owners. The most concerning aspects of the results were the fact that basic services such as water availability and sewer provision as well as electricity provision and roads maintenance are some of the factors which has the most negative influence on the local business owners perceptions of service delivery. The Midvaal local municipality showed why they are one of the best top performing municipalities in South Africa, however, the municipal practices such as municipal services cost is one of the most concerning aspects. The reason for the high tariffs may be because of the efficient service delivery and larger revenue base than the other two municipalities. The roads infrastructure is very concerning aspect in the both Emfuleni and Lesedi because the quality of the roads are very low and the residents are concerned about the lack of attention towards roads infrastructure within the local municipalities. Financial support from National Treasury may be one of the most concerning aspects in the allocation of resources to the local municipalities, and it is the responsibility of the Provincial and National government to provide the necessary financial and knowledge support to the local municipalities (Van der Westhuizen & Dollery, 2009:165). The responsibility of the local government is to improve efficiency and allocate effective expenditure and management which will have a large positive influence on the public sector of any country (Travis, 2012:30). Infrastructure plays a significant role in the development of the standards of living for people in the communities, without the necessary infrastructure, the development of the human isn't feasible. A study done by Kusharjanto & Kim (2011) revealed that the quality of physical infrastructure also have a direct relationship with average income and consumption. The investments in infrastructure within the poor communities will have a direct effect on raising the productivity of the people, but also influencing quality of life. The next chapter will focus on the results obtained from both the primary and secondary data with specific emphasis on the conclusion of the study with possible recommendations on areas for improvement on the local economy. From the primary data results obtained it was found that the area of high economic development also shows areas of improved quality service delivery, such as the instance of the Midvaal Local Municipality. The Emfuleni Local Municipality and Lesedi Local Municipality showed very low development in terms of human development and extremely low levels of poverty, as a result the perceptions of service delivery was weaker than those within the Midvaal Local Municipality (MLM).

CHAPTER 5: CONCLUSIONS AND RECCOMENDATIONS

5.1 INTRODUCTION

Regional economic development is not only primarily focused on the objectives of the local economy, it includes sectoral development areas and the strengthening the bond between businesses, government and the people (Patterson, 2008:3) (Chapter 2: Section 2.2.2). Regional economic development encompasses the way in which the public and the private organizations work together in order to achieve development objectives. The role of local municipalities in South Africa are thus to improve service delivery and increase the community participation in terms of social and economic development initiatives (Tsatsire *et al.,* 2010:271) (Chapter 2: Section 2.5.1). Tsatsire *et al.,* (2010:271) further states that is the responsibility of the White Paper on Local Government (1998) to improve the social circumstances of communities as well as improving the economic circumstances of the local communities (Chapter 2: Section 2.5.2). The LED strategies identified within the Sedibeng District Municipality should be in line with the IDP and other relevant planning documentation of the local government. Accountability, transparency and well developed financial management are needed in order to improve the way in which resources are allocated and the way in which the projects are led. Creating the environment for businesses activities to improve, as well as the creation of job opportunities will allow for better competitive and comparative advantages for the local businesses and extend productivity in an export based market (Chapter2: Section 2.2.2). Infrastructure development, the alleviation of poverty, social development, and leadership from government needs to be developed in the Sedibeng District Municipality (Chapter 4: Section 4.4.1). Given that there a numerous public service delivery challenges which the Sedibeng District Municipality, some of the major issues include roads infrastructure as well as zoning and planning regulations (Chapter 4: Section 4.4.3). Accompanied by the major backlogs in public services and infrastructure, the levels of living (measured by means of the Human Development Index) are very low within this region (Chapter 4: Section 4.4.1). The main objective of this chapter is to evaluate discuss the results obtained from the questionnaires, and to give meaningful recommendations on areas to improve service delivery.

5.2 FINDINGS ON EMPIRICAL RESULTS

After the results have been captured on SPSS and the empirical results were evaluated, there are various findings on the empirical part of the study.

5.2.1 Findings on public service delivery perceptions

From the results obtained in chapter 4 (section 4.3.4) it was found that the quality of roads (mean = 2.000) within the District Municipality are inadequate and very low quality, more specifically within the Emfuleni and Lesedi regions. The other factors which have the most negative influence on the delivery of basic services within the Emfuleni Local Municipality includes electricity provision (mean=2.4600) as well as the planning and zoning regulations. From the results obtained in chapter 4 (section 4.3.4) it was found that the Midvaal local municipality perfomed the best in the provision of basic services, which included water availability (mean=4.6100) and correct municipal accounts (mean 4.1200), some areas of intervention are planning and zoning regulations as well as the quality of roads in some areas. It is very important to consider that infrastructure are regarded as one of the most important factors of the HDI, however, the overall infrastructure, and more specifically roads infrastructure within the Sedibeng District Municipality are of very low quality, and it is thus a reflection of the low perceptions by the business owners. (section 4.3.4: table4.6). Overall the Midvaal local municipality are performing better on all levels of public service delivery, such as water availability, electricity provision and roads infrastructure, while the other two local municipalities namely the Emfuleni and Lesedi local municipalities in the region are not performing well at all (Chapter 4: Section 4.3.4: Table 4.6). It was found that the Midvaal local municipalities performed better on all aspects of the public services, especially water availability and roads provision and maintenance (Chapter 4: Section 4.3.4: Table 4.9). LLM and ELM show similar results in terms of public services perceptions and the perceptions of the business owners are very weak towards the delivery of basic services by the local government (Chapter 4: Section 4.3.4: Table 4.6).

5.2.2 FINDINGS ON MUNICIPAL PRACTICES PERCEPTIONS

The municipal practices which have the most negative influence on the local economy according to the business owners include red tape regulations, corruption and irregular practices as well as vague and uncertain policies (Section 4.3.5: Table 4.13). Unstable management within the local municipalities as well as poor public participation are two of the factors which have the least negative impact on the municipal area. Red-tape regulations as well as vague and uncertain policies are seen as two possible barriers which may influence business activities in a negative manner. Red tape regulations have the most negative impact on business activities within the LLM, however, it less prominent within the ELM and the MLM (Section 4.3.5: Table 4.13). Unstable management within municipalities are more significant within ELM and the LLM, however, it has a less negative impact within the MLM. Municipal services costs are one aspect within the MLM which has the most negative influence on business activities, as the business owners believe that the rates and taxes are very high compared to other regions like ELM and LLM (Section 4.3.4: Table 4.11). One reason for the success of the MLM is the fact that the local institutions find alternative ways of revenue generation compared to other local municipalities. Corruption and irregular practices by the local government are two of the most negative factors within the ELM, and it may be seen as an aspect which influences the high levels of poverty and the infrastructure backlogs within the local municipality.

5.2.3 FINDINGS ON THE FACTORS CONTRIBUTING TO THE CREATION OF AN ENABLING ENVIRONMENT

There are several factors of the enabling environment which influences the local economy in a very negative way. From the empirical evidence found in section 4.3.5 (Table 4.20) it was found that some of the factors which influences business activities the most within the Emfuleni and Lesedi Local Municipality includes poverty alleviation and the improvement in human resource development. Parternership formation, poverty alleviation and the development in Human Resources are some of the factors which needs to be considered within the Emfuleni Local Municipality, because it ranked the lowest of all the other factors within the enabling environment. From section 4.3.5 (table 4.20) it is clear that there are some factors which have a positive influence on the business environment within the Emfuleni Local Municipality includes safety and security, economic development initiatives as well as infrastructure plans. Considering the impact that infrastructure have on the human development (HDI) from section 4.4.1 (table 4.22), it may have a positive influence on the overall standards of living in the future. From the findings on the factors contributing to the creation of an enabling environment the alleviation of poverty should be considered as a first priority for the residents in the local communities especially within the Emfuleni Local Municipality. It is important to consider aspects such as job creation initiatives and skills development in order for the workforce to expand and to improve the environment for creating adequate jobs. Human resource development forms part of poverty alleviation and as a result it is important for any business to consider the investments in soft infrastructure such as training on the work and specific skills development for employees. Another factor which influences the management in municipalities is leadership. Given that national government doesn't show any signs of adequate leadership it is important for the local government to apply specific leadership development. Leadership is a very important aspect in local government because it intends real change in the reflection of mutual purposes (Ciulla, 1999:170). Entrepreneurship development as well as structures and policies are two of the factors which are seen as the most positive factors for the enabling environment within the Sedibeng District Municipality. Meyer (2014:286) states that entrepreneurship development is very important to foster within the youth development as it enables the creation of self –employed ventures. One of the reasons why entrepreneurship development is very good within the Sedibeng District Municipality is because of the training and assistance in entrepreneurship development and business start-ups within the Universities.

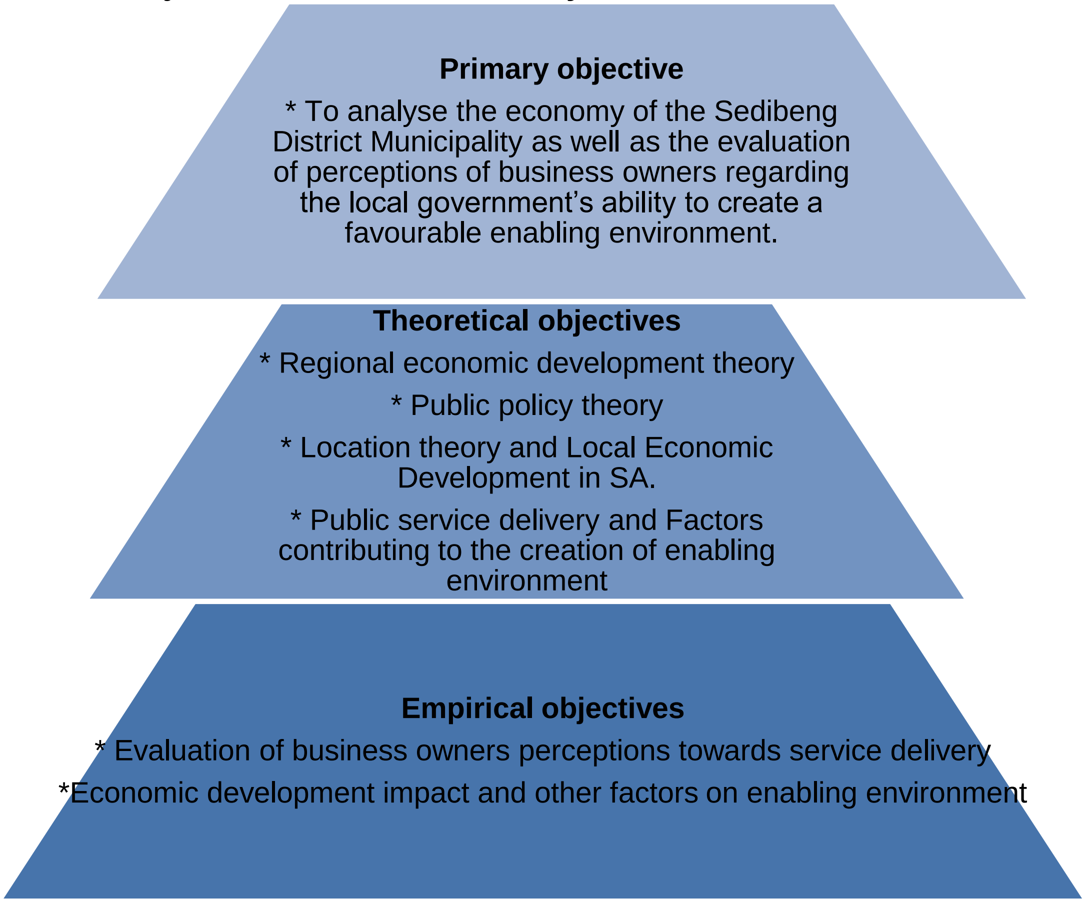
5.2.4 FINDINGS ON ECONOMIC ANALYSIS OF HDI ON OTHER FACTORS CONTRIBUTING TO THE CREATION OF AN ENABLING ENVIRONMENT

From the empirical evidence in section (4.4.1) it is clear that crime has a negative influence on development (HDI), while the development of infrastructure have a positive influence on the Human Development Index (HDI). The empirical evidence found in section 4.4.1 suggest that there is a strong positive relationship between infrastructure and HDI (Human Development Index), with a t-statistic of 3.661, suggesting that if development in infrastructure (both physical and soft) will have a significant impact on the standards of living for the people in all three local municipalities within the Sedibeng District Municipality. Crime thus have an insignificant impact on HDI, indicating that there is a negative relationship between crime and the standards of living (with a t-statistic of -4.415). It is important for safety and security to be in place before the standards of living can develop within a specific region, as such crime should be eliminated in order for development to take place. One interesting result from the results obtained section (4.4.1) is the fact that there is a positive relationship between the standards of living (HDI) and informal housing. It is thus suggested that if the number of informal housing within the SDM increases the HDI will also move in the positive direction (t-statistic of (0.03483), but one also have to consider the type of informal housing the data suggests.

5.3 RESEARCH OBJECTIVES

The research objectives were set out in chapter 1 which focused on the three different objectives namely the primary, theoretical and empirical results. The following diagram shows the three irrespective research objectives and the results from each of the different objectives.

Figure 5.1: Objectives structure of study



Source: Own Compilation

5.3.1 PRIMARY OBJECTIVE:

The results of the primary objective within this study was to evaluate the local economy of the Sedibeng District Municipality in terms of service delivery and other factors which contribute to the creation of an enabling environment.

- Chapter 3 (section 3.7 and 3.7.1) focused on the economic structure of the local economy in terms of GDP and the structures of the GVA, as well as the employment per sector. Chapter 3 also focused on other development indicators such as the HDI of the Sedibeng District Municipality and other areas such as Gauteng and South Africa to show the relevance in terms of development within those specific regions. The GINI coefficient were also used within the study to show the relevance of income distribution within the various geographical areas such as South Africa, Gauteng and Sedibeng.

- Chapter 4 (Sections 4.3.1) revealed the basic demographic information of all the respondents within the Sedibeng District Municipality. Section 4.3.3 to section 4.3.5 revealed the public services perceptions, municipal practices and factors contributing to the creation of an enabling environment. From chapter 4 it was clear that public services are a major concern with specific emphasis on economic infrastructure and the level of HDI (Human Development Index). From the analysis retrieved it can be concluded that wherever there are areas of high economic development in terms of HDI, poverty levels and infrastructure the overall role of the local government will be more significant.

5.3.2 THEORETICAL OBJECTIVES

- The first theoretical objective was the explanation of regional economic development theory (Chapter 2: section 2.2.2). The main aim of regional economic theory is the explanation of how regions create comparative and competitive advantages in order to ensure the necessary economic growth and development. Regional economic theory may be seen as "part" of development economics which focuses more on the rationale planning and salesmanship. Regional economic theory therefore plays a very crucial role in the competitiveness within the different structures of the local economy.
- The second theoretical objective mainly focused on public policy theory, whereby the theory of public policy plays an integral role in the attainment of coordination of certain projects (Chapter 2: section 2.2.3). The "Big Push" theory was used to explain the importance of the three role players in the economy to coordinate public and economic policy in a country. The "Big Push" are therefore very important in the explanation of coordinating projects and plans to create development growth in the local economy.
- The third theoretical objective was the explanation of the role of public economics in terms of creating the necessary funding for the projects aligned to achieve economic growth (chapter 2: section 2.2.4). The Rostow's stages of development were used to explain the stages in which a country passes in order to create viable economic growth. More focus were given towards the micro economic models of growth as well the micro models of government expenditure including the Baumol's unbalanced growth which explains the importance of the progressive and non-progressive sector's role in the economy. In order for an economy to grow, specific emphasis needs to be given towards the progressive sectors such as technology improvements in order for the economy to grow.
- The fourth theoretical objective focused more on the location theory of regional economic development (section 2.2.6). Location theory plays an integral role in policy development as well

as the costs and distances associated with the markets in proximity with business operations. The Von Thunen location theory are regarded as one of the most important theories in regional economic development as it defines the distance towards the markets as a very important factor in both the quality and price of the product.

- The last section of the theoretical objectives focused primarily on Local Economic Development (LED) in South Africa (section 2.3 to 2.5). The main aim of this section was the evaluation of Local Economic Development (LED) in terms of community based projects as well as the LED planning processes which are needed in order to identify, implement and evaluate the specific plans with a region. Specific emphasis were given towards the different policies and practices in South Africa which are in place in order to ensure social and economic development progress in South Africa. Two of the major policies used to address the issues at hand includes the Constitution of the Republic of South Africa (1996) and the White Paper on Transforming Service Delivery in South Africa (1998). Specific emphasis were given towards the factors contributing to the creation of an enabling environment which are very important for the foundation of economic development. Each of the factors have some sort of value within the development agenda of South Africa.

5.3.3 EMPIRICAL OBJECTIVES

- The first empirical objective was to evaluate the perceptions of business owners in terms of public service delivery, municipal practices and the factors contributing to the creation of an enabling environment. From the results it was clear that overall perceptions of service delivery by business owners are very negative. Some of the aspects which the local government needs to work on is local infrastructure, the quality of roads as well as planning and zoning regulations (Section 4.3.4). Factors in which improvement aren't needed includes water availability and correct municipal accounts. From (table 4.6: section 4.3.4) it was found that the MLM are performing better than both the ELM and the LLM in terms of basic service delivery. The Midvaal Local Municipality are therefore better in providing the basic infrastructure to the residents of the local communities. In terms of municipal practices (Section 4.3.5) it was found that some of the major municipal practices influencing business activities include red tape regulations, corruption and irregular practices as well as vague and uncertain policies. In terms of section 4.3.5 it was found that municipal services costs within the MLM are very high which maybe one factor that is negative in the operations of business activities. Municipal practices highly influencing the ELM includes unstable management as well as corruption and irregular practices within the local municipality.
- In terms of the factors contributing to the creation of an enabling environment (section 4.3.5: table 4.20) it was found that some of the major factors influencing the business environment

includes poverty, human resource development and leadership. The factors which have a positive influence on the enabling environment includes access to transportation, entrepreneurship development as well as structures and policies. It is thus very important for the local government to focus on ways to reduce poverty and inequality, improving skills and development and having better leadership in management within local municipalities.

- The last section of the empirical study included the analysis of the Human Development Index (HDI) on three indicators included in the enabling environment (including infrastructure, informal housing and crime). From the results found the HDI (Human Development Index) have a significant relationship with infrastructure development, meaning that if the infrastructure within a region improves it will have a positive relationship with development. Crime and the Human Development Index (HDI) have a negative relationship which means that if the levels of safety and security (part of the twelve factors of the enabling environment) improves it will have a positive impact on the HDI by lowering the levels of crime within the region.

5.4 RECOMMENDATIONS ON AREAS FOR IMPROVEMENT IN SEDIBENG DISTRICT MUNICIPALITY

Decentralization is one of the key strategies in ensuring accountability, transparency, governance and development (Edoun & Jahed, 2009:4). Decentralization may also be defined as the transfer of certain powers and the facilitation of effective and efficient service delivery (Edoun & Jahed, 2009:4). It is therefore a very important aspect in the improvement of basic service delivery because the authorization are being transformed from the higher authorities to more the more local legislation. It is important for any local region to firstly focus on the people's standards of living in the different communities before shifting the attention towards public administration and service delivery. The biggest area of intervention by the national government is to eradicate poverty and address the social issues at hand, as such, by addressing the socio economic problems it will help to alleviate problems such as low levels of service delivery and inadequate management. One way in addressing social issues such as poverty and unemployment is to focus more specifically on ways to improve the number of labour participants in the economy as well as providing ways to start new businesses and create oppurtunities for improvements.

5.4.1 Financial sustainability in public finances

One aspect which has a very high negative impact on business operations is the high level of corruption practices by municipal workers in the Emfuleni local municipality. The business people perceive that finances allocated to the municipalities aren't being used or allocated in an effective and efficient manner, thus we notice the unsuccessful tasks and plans in most of the cities or towns in the municipality. According to Van Vuuren (2014:4) one of the major concerns in provincial and national government is the misconduct of finances by the public officials, and in 2012 there was a total 930 cases reported of which only a few cases recovered. Factors which influences the efficient flow in local municipalities are the lack of service delivery as well as mismanagement, corruption and the lack of transparency and accountability in the majority of the South African municipalities (Van Vuuren, 2014:7). According to Adelkarim (2002:3) financial sustainability is defined as the ability of the local government to diversify and develop its resources in which the local communities can benefit in terms of allocating public funds in an adequate manner. Sustainability in finances are needed in order to generate revenue in the short and long term in a way which planning strategies are effective, revenue is improved and expenditure is controlled in a sufficient manner. Schoeman (2011:3) states that the problem in financial sustainability from local governments in South Africa is the reliance of the National government to finance local government, without the need of self-sustaining ways to collect revenue. The lack of clear targets in collecting its own resources and the dependency on grants and subsidies to fund current and capital expenditures are some of the most common problems in the local government level (Schoeman, 2011:3). The interesting fact is that the Emfuleni local municipality is 13th of one of the most successful municipalities in generating income from its own revenue base (Schoeman, 2011:15). Some of the most successful municipalities in South Africa find alternative ways of collecting revenue from the public, and as such these municipalities are more successful in the operating procedures and delivering public services to the local communities.

5.4.2 Most appropriate exchange model of government

It is important for the government to recognize that all citizens are better off if there was a level of agreement in the rules of social interactions. Whenever the rules of social interactions were broken it will ultimately produce the Hobbesian anarchy – which may be defined as the war of all against all, and where the use of violence have no limitations (Cheneval, 2007:312). The fact is that South Africa is in a state of violent protests in which the needs of people aren't being addressed in a righteous manner, as such, it is the need of government to intervene and to assure the most appropriate exchange model (which is more known as the bargaining model). According to Holcombe (1994:211) the bargaining process gives the government some degree of monopoly power, and as such they are protecting their source of income. It is thus the responsibility of the government to create an environment which acknowledges the wants and needs of the people and addressing social issues such as poverty and inequality. In a democratic country, the agreement should be more widespread and the support should be in place in order to get the support from other role-players in the economy. It is very important for all three actors in the local economy to engage in a coherent manner, whereby the public voice out their wants and needs while the government ensures the active engagement with the local community. Sylvain

(2007:115) points out that these kind of partnerships are very unlikely on a local level, unless the firm formed a bond on a national level in order to ensure sustainability. In order to ensure the active role of the local partnerships there should be some development projects aimed at improving partnerships between the community, government and businesses (Sylvain, 2007:116).

5.4.3 Partnership formation

According to Porter (2010:103) it is important for the local economy to have clear partnerships, as it signifies the importance of resource distribution, competencies and future project implementations. Local Economic Development partnerships should be used in order to enable the partnerships between the social actors and the public agencies (Potter, 2010:103). Partnerships formations are very useful as it enables each actor the benefits provided to them as well as enabling the clear communication roles between the different role-players, and it also provides the benefit of change with changing circumstances (Potter, 2010:104). With the enhancement of building partnerships in terms of the public, businesses and people it will have a significant impact on the adjustments of changing circumstances. As one of the factors contributing to the creation of an enabling environment, identified by Meyer (2014) partnership formation is on a moderate performance, and it is ranked 5th on the 12 factors contributing to the creation of an enabling environment (on chapter 4 section 4.3.5). With the improvement in improving partnerships it will have an immediate effect on the way in which the three actors respond to changes in their unique environments. Partnerships are very important because it enables valuable resources, it addresses the lack of service delivery in the public sector and it also shares a co-integrated approach towards the socio-economic problems in South Africa (Eloff, 2001:6).

5.4.4 Leadership quality improvements

Leadership by the local government is very important because it illustrates the significance of political management and the improvement thereof (Peters & Nieuwenhuysen, 2012). Adequate leadership qualities are needed in order to manage the wants and needs of the local communities as well as improving the way in which certain things are done. Leadership are represented from the National government all the way down to the local level, and without the necessary leadership skills on a national level the provincial and local government will follow suite. Thus leadership is very important because it requires the support from the top management and the way in which resources are distributed, and it shows the way in which the local municipality should be managed and controlled. Continues improvement are needed in the top management level before bottom management could show any responses to changes in the external environment. The major issue in South Africa is the fact that senior management in government is not showing the adequate leadership skills to improve the current problems South Africa is facing. Incompetency is shown and the lack to respond to any immediate changes are some of the signs that the quality of leadership is not up to standard in South Africa.

5.4.5 POVERTY ALLEVIATION AND SOCIAL DEVELOPMENT

According to the survey results (2016) poverty alleviation and social development are one of the most negative influences on the enabling environment. Poverty is an issue that effects millions of people around the world, especially in the developing world. Inequalities and disparities of income are some of the major issues faced by communities in rural areas. In a study done by Sekatane (2013:73) rural areas are the locations where poverty is very significant, for example in Sharpville, which are part of the Sedibeng District Municipality have a poverty rate of just under 44 per cent. Poverty is a socio-economic problem faced by millions of South African in rural areas, and it creates barriers for economic development and economic growth, because most of the people in poor households doesn’t have access to basic services. Todaro and Smith (2011:249) and Dunga (2014:210) states that poverty reduction in the developing countries can be done by means of four very important interconnected factors which include: education, agricultural production, employment, access to loans and community development. Employment opportunities are one of the most crucial factors which will reduce the level of poverty in a region with specific emphasis on the agricultural sector, given that agriculture forms an integral part of the growth in developing countries. According to Meyer (2014:16) safety nets such as subsidies on housing, social grants and land reform should be included in order to alleviate poverty and improve social development in a country. Historical and structural causes of poverty should be addressed in an adequate manner, and as such equal opportunities should be given to people in different communities across South Africa. Todaro and Smith (2011:241) states that the government have two possible areas of intervention in ensuring equitable distribution of income in developing countries, which includes functional distributions (utilizing national income) and moderating the size levels of the lower levels (higher tax revenues from the wealthy).

5.4.6 IMPROVEMENTS IN ECONOMIC INFRASTRUCTURE

As noted in Chapter 4 (section 4.4.1) infrastructure have a positive relationship with economic development (HDI). The investment in infrastructure will definitely have a significant impact on the development of a country or region. According to Fedderke and Garlick (2008:5) infrastructure are identified as a factor of production, a stimulus to factor accumulation and a tool as an industrial policy. Industrial policy improvements also influences the public sector GDP, roads infrastructure (quality of roads) improves the GDP. The investments in infrastructure therefore has a direct and indirect effect on the overall economic growth in a country. Given that roads provision and maintenance are very poor within the Sedibeng District Municipality it is important for the local government to improve the hard infrastructure (roads, buildings, railways etc.) as well as the soft infrastructure (improving the quality of human capital such as skills knowledge, education and training).

5.5 CONCLUSION

Local economic development, regional economic development and public management are three different subject groups, yet they are interlinked with each other. From the empirical evidence found in the study it was found that in regions where there are high levels of service delivery, the economy will also be positive and growing. Areas for improvement within the Sedibeng District Municipality includes the improvement of the quality of roads and an improvement in infrastructure in order to classify themselves as the “Metropolitan River City of Choice”. Social issues firstly needs to be addressed in order to improve the economic development of the region, by this we can classify poverty, inequality and unemployment as the three factors which needs to be addressed in order for the econo3my to grow, both on a national and local level. The factors contributing to the creation of an enabling environment, identified by Meyer (2014) revealed that factors can be ranked according to the level of satisfaction, and as such it may be used for future research in local government in order to identify areas of intervention. Projects and plans aligned to improve infrastructure within the SDM should be attended to after there are improvements seen in the standards of living, especially in the rural and poor areas of South Africa. Violent protest and strikes are prevailing more and more across the whole of South Africa, and the only way in which these issues could be addresses is if living conditions improve by creating jobs and improve the standards of living.

Economic development and the improvement in the development of the standards of living will always have a positive influence on the enabling environment. From the empirical results obtained in the survey results it was found that the municipality with the best performances in service delivery as well as the highest number of factors contributing to the creation of an enabling environment will have a significant impact on the overall standards of living and development of the community. The statistics revealed that the Midvaal Local Municipality have the highest level of development in terms of standards of living and income inequalities, as such, the overall delivery of services and the enabling environment factors are better than those of the Lesedi and Emfuleni Local Municipalities. The study concluded that if the the enabling environment is good enough it will have a significant impact on the overall economic development initiatives such as job creation initiatives and the alleviation of poverty. This chapter revealed the empirical findings of the study both in terms of primary and secondary data. The various objectives in terms of theoretical, empirical and the primary objective were identified within the study and the achievements of the objectives were shown within this chapter.

5.6 LIMITATIONS WITHIN THE STUDY

The following limitations have been found within the study:

- The survey approach used within this study focused mainly on business owners and not residents in rural or urban areas. The reason why business owners were chosen as the main target population are due to previous studies that have been done in other local municipalities such as Midvaal and Emfuleni in 2014 and 2015.
- There isn't sufficient data on development indicators such as the HDI, infrastructure, informal housing and crime to do a proper regression, as a result a correlation matrix were used to show the relationship between the four factors.
- The population size wasn't sufficient in order to do a comparative analysis on the secondary data of this study.

5.7 FUTURE RESEARCH

Local Economic Development (LED) is a very important subject within development economics because it encompasses various aspects of development including the measure of performance by local authorities. Future research should be focused towards the impact that public services and municipal practices have on the economic growth within a region. Political and public policy should also be evaluated as a factor before assessing the level of economic growth because political stability have a major influence on economic activities. Governance therefore plays an integral role in the overall health of the economy because it addresses specific wants which needs to be addressed before focusing on the improvement of the local economy. Structures and policies should therefore purely focus on increasing the total number of labour partcipants, and to create quality jobs for people in rural communities. Future studies should focus more on the perceptions of the communities in terms of the enabling environment and it will give a good indication of how the level of development are within a particular local municipality. The enabling environment is thus a very good tool to be used in future research because it shows policymakers the various areas on where to improve in terms of the creation of an enabling environment for businesses, people and the local community.

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ANNEXURE A: GEOGRAPHICAL AREA: SEDIBENG DISTRICT MUNICIPALITY

Sedibeng District Municipality consist of the Midvaal, Emfuleni and Lesedi Local Municipalities.

ANNEXURE B: QUESTIONNAIRE (SURVEY)

NORTH-WEST UNIVERSITY
YUNIBESITI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT

COVER LETTER FOR INTERVIEW.

BUSINESS OWNERS PERCEPTIONS: SERVICE DELIVERY AND THE FACTORS CONTRIBUTING TO THE CREATION OF AN ENABLING ENVIRONMENT.

Good day Sir/Mam, I am Jan Roan Neethling, a full time Masters student at the North-West University (Vaal Triangle Campus). I am doing research based on service delivery and the Factors contributing to the creation of an enabling environment for business owners within the Sedibeng District Municipality. The focus of this study is how you perceive basic service delivery as well as the factors that contribute to the creation of an enabling environment.

I want to assure you that there is no monetary value added to the study, and that participation in this study is voluntary and you may terminate your participation at any time without and repercussions. The information given in this questionnaire is of a non-sensitive nature. The interviewer will explain the relevant questions during the interview. The North West University, as well as the relevant municipalities will not be held responsible for any issues the business owner have regarding the interview

Thank You very much for your time, before we begin, is there any questions you would like to ask?

____

Jan Roan Neethling

STRUCTURED QUESTIONNAIRE FOR BUSINESSES IN THE SEDIBENG DISTRICT MUNICIPAL AREA.

NORTH-WEST UNIVERSITY ®
YUNIBESITI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT

Questionnaire on SMME businesses for service delivery and factors contributing to the creation of an enabling environment for the Sedibeng District Municipality.

The purpose of this study is to analyse businesses perception on service delivery within the District Municipality, and to identify what the main stumbling blocks are for businesses with regard to service delivery in the community. This questionnaire will form part of a study where the results will be used in order to interpret the perceptions of businesses on the level of service delivery by the Sedibeng District Area for businesses in the region.

Notes:

- The questionnaire should be filled in by the owner/manager of the businesses;
- The result of the study will focus the perception of business people towards service delivery, and various factors which contributes to the creation of an enabling environment;
- The main aim of this study is improve the business environment for local businesses within the Sedibeng region;
- All the information used in this study will be totally confidential and the replies to the questions are totally voluntary.

Contact Information:

Jan Roan Neethling
Cell Number: 079 436 4800
Email adress: roanneethling5@gmail.com.
Full-Time Masters Student at North West University (Vaal Triangle Campus).

Signature of business owner ____

Signature by interviewer____

➢ **Basic information**

Business name________________________________ Date:______________________

Address: ____

City: ____

Telephone nr: ______________________ Cell phone nr: ________________________

SECTION A: General Background Information of the business

GENERAL BACKGROUND INFORMATION OF THE BUSINESS

1. Ethnic origin *(tick only one):*

☐ African ☐ Indian/Asian

☐ White ☐ Other

☐ Coloured

2. Age of business owner *(tick only one)*:

15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	Older than 64

3. Gender *(tick only one):*

☐ Female

☐ Male

5. What role do you have in the business *(tick only one):*

☐ Owner, but not manager

☐ Manager, but not the owner

☐ Owner and the manager

5. Number of years resident in Sedibeng: ________________________________

6. Highest level of education *(tick only one):*

No education	
Primary school	
High School	
Certificate/Diploma	
Degree	
Master's degree	
Phd	
Other (Specify)	

7. What type of business do you operate? *(tick only one)*

☐ Agriculture

☐ Mining

☐ Manufacturing

☐ Electricity

☐ Retail

☐ Finance

☐ Community services

☐ Trade

☐ Transport

☐ Tourism

☐ Other: Please specify____

8. The size of the business *(Please tick the appropriate box).*

Size	Full time employees	Total annual turnover	
1. Micro/very small	Less than 10 people	More than R150000, but less than R4 million	
2. Small	More than 10 but less than 50	More than R4 million but less than R10 million	
3. Medium	More than 50 but less than 200	More than R10 million but less than R40 million	
4. Large	More than 200	More than R40 million/	

9. How long have the business been in existence? *(tick only one)*

☐ 0 – 6 months

☐ 6 to 12 months

☐ 1 – 2 years

☐ 2 – 3 years

☐ 3 – 5 years

☐ 5 – 10 years

☐ Longer than 10 years.

10. The number of full-time workers employed at the business? *(tick only one)*

0	1 – 5	6 – 10	11 – 20	21 – 50	51 – 100	101 -200	201 or more

11. The number of part-time workers employed at the business? *(tick only one)*

0	1 – 5	6 – 10	11 – 20	21 – 50	51 – 100	101 – 200	201 or more

SECTION B: Public service delivery perceptions.

PUBLIC SERVICES PERCEPTION

12 What is your general perception of the service delivery by the Local Municipality?

1. Poor	2. Below acceptable standard	3. Acceptable	4. Excellent

13 What would you say is the main service delivery problems experienced in your local area, which have a negative impact on your business activity? (Please provide a score for each of the factor *(1 is very poor, 5 is very good).*

PUBLIC SERVICES	1	2	3	4	5
Water availability and sewer service provision					
Electricity supply					
Roads provision and maintenance					
Incorrect municipal accounts					
Planning and zoning regulations					
Other					

SECTION C: Municipal practices perceptions.

14 Rate the following municipal practices and procedures which have the largest negative impact on the local economic and business activities?
(1 is very low impact, 5 is very high impact).

MUNCIPAL PRACTICES	1	2	3	4	5
Red tape regulations					

Unstable management					
Vague and uncertain policies					
Municipal service costs					
Corruption and Irregular practices					
Poor public participation/communication					

SECTION D: Factors contributing to the creation of an enabling environment perceptions.

FACTORS CONTRIBUTING TO THE CREATION OF AN ENABLING ENVIRONEMENT PERCEPTION

15 In your opinion, does the Local Municipality create an enabling local economic environment for your business to prosper? (12 factors)
(Provide a score for the municipality for each factor (*5 is very good, and 1 is very poor*).

ENABLING ENVIRONMENT	**1**	**2**	**3**	**4**	**5**
Partnership formation					
(Do you think the local municipality is co-operating well with businesses?)					
Structures and policies					
(Do you think the local municipality is giving enough policies to improve service delivery within the local community?)					
Leadership					
(Do you think there is political stability within the local community?)					
Poverty alleviation and social development					
(Do you believe there is high levels of poverty within the rural areas? If yes, then rank it according to the municipalities ability to alleviate poverty and improve social development)					

Economic development initiatives					
(Do you believe that the local government is providing enough jobs for the people within the local community?)					
Environmental and spatial plans					
(Do you think the business is operating in a clean and physical environment which isn't detrimental to one's health?)					
Infrastructure plans					
(Is there any improvements in service delivery by the local government in terms of new roads, or overall better infrastructure?)					
HR development					
(Does the local government provide adequate development and training programmes to youth in terms of job creation initiatives?)					
Entrepreneurship development					
(Is there a growing number of new businesses within the local municipal area?)					
Improvement of access and transport					
(Is the public transport adequate and affordable within the local municipal area?)					
Agricultural development					
(Is agriculture a main source of income for people in the rural areas? Does agriculture provide the necessary income for the poor citizens?					
Safety and security					
(Is the South-African police force providing the necessary safety and security to the people within the community?)					

THE END: THANK YOU.