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## CHALLENGES OF LOCAL ECONOMIC DEVELOPMENT UNIT IN SOUTH AFRICAN MUNICIPALITY: A CASE OF POLOKWANE LOCAL MUNICIPALITY

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### Abstract

The purpose of the paper is to investigate the challenges encountered by the Local Economic Development (LED) unit in South African municipalities. The aim of LED is to ensure sustainable employment growth and the equal distribution of economic activities in the society. The South African government adopted LED in 1996, however, unemployment is still high. The paper seeks to propose resolutions to challenges encountered by LED in order to augment its efficacy in municipalities. The South African government is using LED to enforce the notion of quality life for all, however, there is a seemingly bottleneck when implementing LED in municipalities. Such a bottleneck hinders the optimal and maximum impact of the LED. Therefore, it is of utmost importance to identify the obstacles that pose a threat to the efficiency of LED. This will enable local municipalities to tackle these challenges effectively and strive to increase the effect of LED. The paper used qualitative and quantitative research approaches. Senior officials were interviewed while questionnaires were administered to officials within the LED department. The paper found the following challenges of the LED unit in the Polokwane Local Municipality: inadequate financial resources, short of staff; lack of synergy with other developmental programmes in the LED unit, inadequate infrastructure, and some areas in the municipality are owned by the traditional council. The paper recommends that the municipality should stop deploying projects that are not within the scope of LED in the LED unit, provide adequate staff members, provide additional funding and skilled personnel to the LED unit, and establish a relationship with traditional council that owns land in the municipal area.

*Keywords: challenges, local economic development, municipalities, South Africa*

### 1 INTRODUCTION AND BACKGROUND

The aim of LED is to promote the growth and prosperity of a particular region or locality. The department responsible for managing LED initiatives aims to alleviate poverty and unemployment (Mashabela, 2021a; Malefane, 2009). However, unemployment and poverty remain alarmingly high despite implementing LED in South African municipalities. Stats SA (2023) indicates that the current unemployment rate in South Africa is recorded as 32.6%. South African municipalities are failing to effectively implement LED, resulting in a decreasing level of success for this initiative (Mashabela, 2021b). Meyer & Venter (2013) contend that South African municipalities have only achieved limited success in the realm of LED. This limited success in LED implementation consequently results in constrained job creation. Municipalities continue to encounter bottlenecks in effectively executing LED, despite the presence of a sound regulatory and law structure supporting LED (Munzhedzi, 2015).

The LED unit implements LED strategies with the goal of achieving the LED objectives in South Africa (Khambule, 2018). However, the declining success indicates that strategies should be reviewed and modified.

Corrective measures are necessary to improve the status quo of LEDs in South Africa. Rodríguez-Pose and Tijmstra, (2005) argue that the efficacy of LED is constrained by ineffective implantation processes. The process of implementing LED in South Africa is comprised of enterprise development, investment promotion, tourism association, and informal trading (Mashabela, 2021). Municipalities offers small business with capacity building support in order to fast track the growth of small businesses as part of their enterprise development (Mashabela, 2021; Masutha & Rogerson, 2014).

LED units in South African municipalities also work with external stakeholders to promote investment and tourism; further, they issue trading permits to street vendors and tuckshops (Mashabela, 2021). However, Masutha (2014) states that 80% of small businesses fail in their first year of inception and often take time to create jobs. Mashabela (2021) states that municipalities often do not follow up on incubators and monitor their progress. There are several street vendors without permits (Vermeulen, 2020). This raises concerns and illustrates the challenges municipalities face when implementing LED in South Africa.

Lack of coordination, corruption, financial resources, and human resources are some of the barriers to the implementation of LED (Nkwinika & Munzhedzi, 2016; Mashabela, 2021a). Corrupt practices are most prevalent in public sectors (Sartor & Beamish, 2020). Bribery and fraud are examples of corruption found in the public sector (Organisation for Economic Cooperation and Development, 2016). Corruption undermines the efficacy of LED, since SMMEs lacking merit may engage in bribery as a means of obtaining grants (Nkwinika & Munzhedzi, 2016). Less deserving candidates may be awarded LED grants and subsidies. This makes the emerging entrepreneur less willing to seek help from the LED unit. Therefore, corruption practice by government officials is believed to be one of the reasons for poverty and a barrier to progress in developing countries (Modise, 2023).

SMMEs often struggle to access financial support from government organizations as it there are often tedious and time-consuming red tape procedures (Duffett, Cromhout, & Steenkamp, 2023). Fazekas (2017) argues that burdensome and red tape procedures are considered a major contributor to corruption. Small businesses are hit the most by these processes since they do not have support from the private sector unlike established SMMEs (Mashabela, 2021a). Established SMMEs typically meet credit requirements and are more likely to receive credit (Munzhedzi, 2015). Rungani, and Potgieter (2018) argue that financial support from the public and commercial sectors is significantly and positively connected with the success of SMMEs.

LED units in South African municipalities lack capacity and funding to carry out their mission. There are many unqualified and incompetent officials in LED units (Ingle, 2014). Mashinini (2017) asserts that the LED unit staff are underqualified and underequipped for the tasks assigned to them. Furthermore, LED units are also faced with a shortage of personnel (Munzhedzi, 2015). Lack of capacity in LED units after overreliance on consultants, which strains their budget and leads to LED strategies that fail to take into account reality on the ground (Hofisi, Mbeba, and Maredza, 2013).

Turner, Varghese, Varghese and Walker (2008) argue that often the lack of funding subsequent to shortage of staff in LED units. The LED units typically receive inadequate funds (Mashinini, 2017), and as a result, LED units have limited capabilities due to the limited budget (Mashabela, 2021a). Hofisi, Mbeba, and Maredza, (2013) argue that the lack of capacity and funding in the LED unit hinders the optimal outcome of the LED. Mashabela (2021a) asserts that these challenges hinder the effectiveness of implementing LED municipalities in South Africa.

## **2 MATERIALS AND METHODS**

The researcher used a combination of quantitative and qualitative research design. As a result, the data collection methods used in this study were questionnaires and interviews. The specific area of focus for this paper was Polokwane Local Municipality, located within the Limpopo province of South Africa. The selection of this particular municipality as the study area was based on its possession of a fully operational LED unit, in contrast to other municipalities in the same province. The target population for this study included senior and general staff in the LED department. The data collected was analysed using Microsoft Excel 2010. The results are displayed in a statistical presentation. Furthermore, ethical clearance for this paper was acquired from the esteemed University of Limpopo.

## **3 DATA ANALYSIS AND INTERPRETATION**

### **3.1 Data collected through questionnaires**

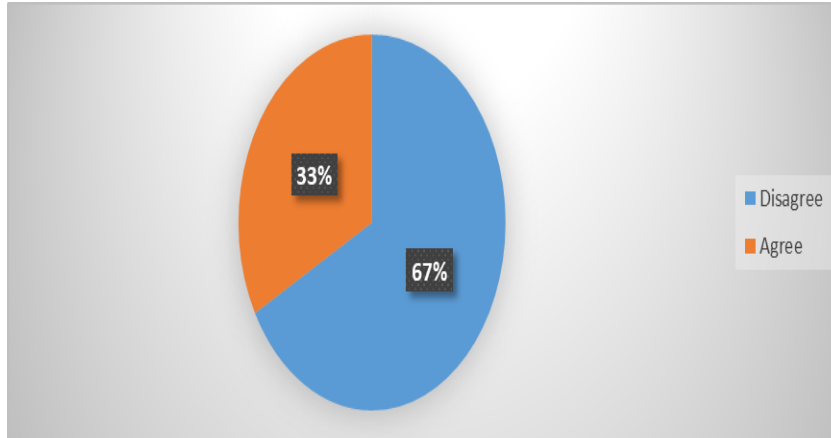
Fifteen questionnaires were distributed to the LED department in Polokwane. However, nine of them were collected, and six of them were never returned. This can be attributed to the of certain staff members within the LED unit. The purpose of using questionnaires for data collection within the LED unit was to acquire a general understanding of perceived and experienced obstacles in the implementation process of LED, as it strives for all-inclusive economic growth and development. This paper examines the challenges facing LED, with the aim of identifying the factors that hinder the implementation procedure. Investigating the LED challenge encompasses

the following factors: inadequate staff, inadequate LED funding, and inefficient use of LED funds, all of which impede the successful implementation of LED. The analysis of the questionnaires obtained from the LED module can be delineated in the following manner.

### 3.1.1 The LED unit has enough staff members

The paper examines the level of personnel in the LED unit of the Polokwane Local Municipality. Inadequate staff within an organization leads to a surge in workload and the degree of oversight. The following is the presentation of the results.

**Figure 1: LED unit has adequate staff members**



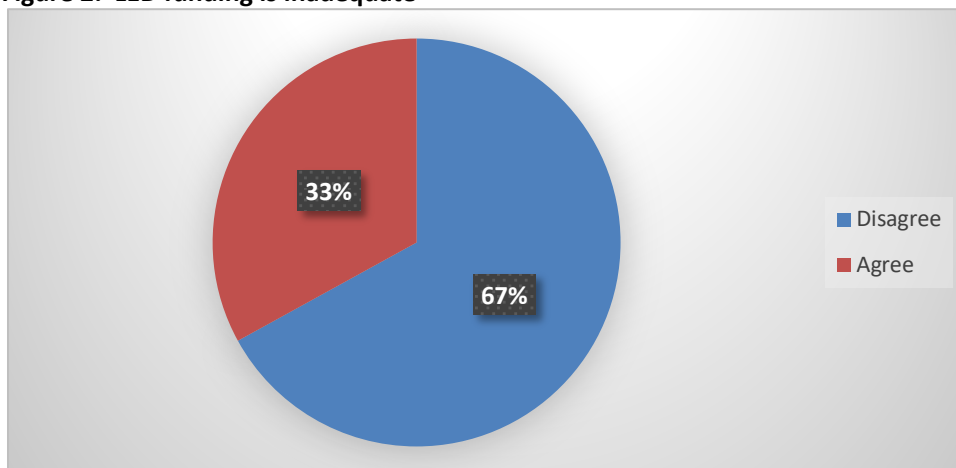
(Authors, 2023)

Figure 1 presented above illustrates that a majority of 67% of the respondents hold the opposing view, whereas a minority of 33% of the participants agree that the LED unit has adequate staff members. Consequently, a significant percentage of participants maintain the belief that there is a deficiency of staff within the LED unit. On the contrary, a mere 33% of the individuals are inclined to the notion that the unit is adequately staffed. The information provided substantiates the assertion that the LED unit frequently encounters a scarcity of personnel (Munzhedzi, 2015). Koma (2012) asserts that there exists a shortage in skills and capacity in local municipalities. These findings indicate that the LED unit lacks a sufficient number of staff members to meet the needs of the population of the Polokwane Local Municipality.

### 3.1.2. Inadequate LED funding

The paper examines whether the LED unit has adequate funding to achieve the goals and objectives of LED. Satisfactory funding gives the LED unit the opportunity to perform implementation outcomes in an efficient and optimal manner. Sufficient financial backing empowers the LED unit to effectively execute LED strategies and yield the greatest possible influence on the local economy. The results are as follows:

**Figure 2: LED funding is inadequate**



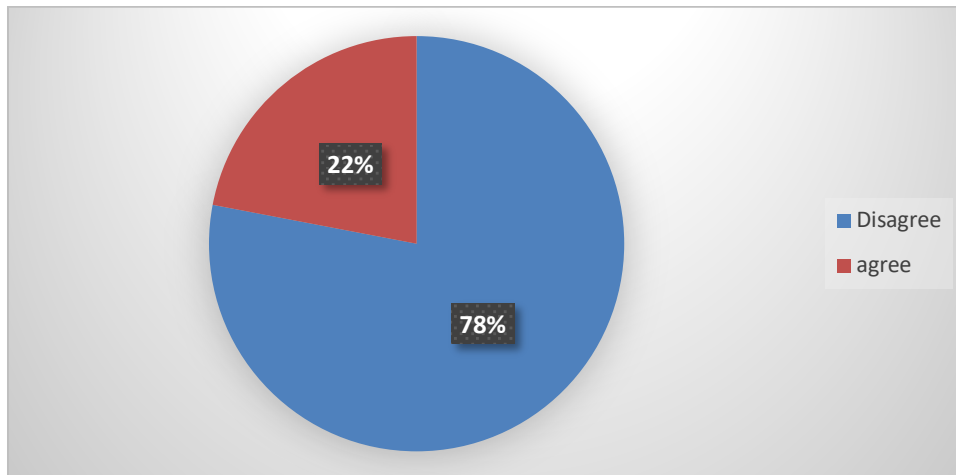
(Authors, 2023)

Figure 2 presented above illustrates that the majority of 67% of the respondents have an opposing view while 33% of the respondents agree that LED funding is inadequate. The findings of the paper indicate that the LED unit lacks sufficient financial resources. These findings align with existing literature that asserts that funding for LED is lacking (Mashinini, 2017; Hofisi, Mbeba, and Maredza, 2013). Evidence of inadequate funding can potentially be observed in the level of personnel and infrastructure required for the successful execution of LED initiatives.

### 3.1.3. Inefficient utilization of funds in the LED unit

The paper probes whether the LED unit diverts funding for purposes other than LED. Government officials are obligated to allocate public funds in a sincere manner. Mismanagement of public finances obstructs the optimal effect of LED. The findings are as follows:

**Figure 3: The lack of effective management of funds allocated for LED initiatives poses a significant obstacle to the smooth and efficient execution of LED initiatives**



(Authors, 2023)

Figure 3 presented above illustrates that the vast majority of respondents, accounting for 78% disagree, while a small fraction of merely 22% concurs with this perspective. A significant proportion of participants believe that mismanagement of funds in the LED unit does not impede the progress of the LED. The results indicate that there is no mishandling of finances in the LED unit, which has an effect on the functioning of LEDs. The results indicate that there is adherence to the financial management procedures in the LED division of the Polokwane Local Municipality. The results challenge the claim made by Nkwinika & Munzhedzi (2016) that there is corruption present in the LED division.

## 3.2 Data obtained through interviews

One-on-one interviews were conducted with the senior employees of the LED unit of the Polokwane Local Municipality. Interviews facilitated data acquisition, which allowed the article to gather comprehensive information that was not possible to collect through questionnaires. The senior officials in the LED unit were purposefully selected to provide the perceived challenges of the LED unit. The findings are as follows:

### 3.2.1. The perceived challenges of LED

The researchers asked the participants about perceived obstacles in the LED division and they proceeded to explain a number of challenges that impede the execution of LED. One participant stated that there is a shortage of expertise and innovation exists within the LED unit. The speaker subsequently expounded on the fact that there exists a deficiency in the infrastructure, along with the issue of certain parcels of land being under the ownership of the traditional authority within the municipality. Another participant in the discussion articulated that a lack of harmony often arises between certain municipal projects and the LED Unit. He asserted that certain projects fall outside the purview of the LED unit but are assigned to be executed in the unit. He further stated that the LED unit gets inadequate funding, which hinders the success of LED.

## 4 DISCUSSION AND RECOMMENDATION

The paper delved into the challenges that impede the efficacy of LED in municipalities in South Africa, specifically focusing on the Polokwane Local Municipality. The article used a combination of qualitative and

quantitative research methodologies, using questionnaires and interviews as data collection tools. The investigation revealed a multitude of obstacles that impede the process of implementing LED in Polokwane. The challenges investigated include corruption, lack of staff members, and insufficient funding, among others. The paper argues that these factors hinder the municipality to provide optimal LED services and execute its mandate. The mandate includes supporting SMMEs that have the potential to curb high unemployment rate and poverty in the locality. The lack of staff members is an enabling factor for unmonitored street vendors with so many street vendors operating without permits. Moreover, factors hinder the municipality to attract investment and promote tourism in the municipality. The paper proposes the following measures as mitigating elements to enhance the efficacy of LED.

#### **4.1. Adequate skill development and staff in the LED unit**

The examination carried out in this paper unveils the presence of a limited number of individuals employed within the LED unit. This observation is corroborated by the data presented in Figure 1, which illustrates that 67% of the participants within the LED department perceive the insufficient personnel. The paper therefore recommends sufficient hiring of staff in the LED unit. Furthermore, during the interview, one of the participants was brought to attention that a significant obstacle encountered by the LED unit is the absence of innovative thinking and expertise among its officials. Therefore, the paper recommends the implementation of skills and innovative programmes in the LED department, which will provide staff members with cutting-edge skills and methodologies. The lack of innovation is conspicuous in numerous civic buildings and the absence of economic motivation in the municipal airport. The municipal airport has limited economic activities compared to other international airports located in different provinces such as the O.R Tambo International Airport. Moreover, there are abandoned government infrastructures and edifices in the business centre of the municipality, as well as other regions within the municipality.

#### **4.2. Provision of adequate funds in the LED unit**

The results of the paper indicate that there is a deficiency in the provision of financial resources for LED initiatives within the Polokwane Local Municipality. This claim is supported by the aforementioned Figure 2, which illustrates that the majority of the participants, specifically 67%, agree that the current funding allocated to the LED unit is insufficient. Additionally, the individuals who were interviewed further disclosed that there is a lack of funding within the LED unit. The finding suggests that inadequate financial resources poses a challenge to LED initiatives in less financially supported municipalities in South Africa. Mahlawe (2010) asserts that category A municipalities have an ample amount of funding available for LED initiatives compared to category B municipalities. This perpetuates the existing disparity between rural and urban development in South Africa.

In light of this, it is recommended that the LED unit in category B municipalities be allocated adequate funds and be given priority similar to municipalities in category A. This will ensure that the municipality experiences the maximum potential impact of LED. Consequently, this results in a decrease in the rate of job creation, which deviates from the expected outcomes of LED implementation within the nation. To improve the efficacy of LED initiatives in South African municipalities, it is imperative to increase the financial resources allocated to the LED unit, as the absence of adequate financial resources poses a challenge in the execution of LED initiatives in municipalities less financially supported in South Africa. Consequently, this results in a decrease in the rate of job creation, which deviates from the expected outcomes of LED implementation within the nation. It is imperative to augment the financial resources allocated to the LED unit to boost the efficacy of LED initiatives in South African municipalities.

#### **4.3. Provision and maintenance of the economic infrastructure in the municipality**

The research findings indicate that there exists a deficiency in infrastructure in the Polokwane Local Municipality. A participant expressed that there is a deficiency in infrastructure within the vicinity of the Polokwane Local Municipality. The paper proposes that the LED unit should provide sufficient infrastructure and simultaneously administer the current economic infrastructure in a proficient manner. The absence of infrastructure impedes the seamless execution of LED within the municipality. It is imperative to encourage infrastructure progress within the municipality to revitalize economic activities and attract additional economic initiatives. Adequate investment in infrastructure that attracts economic activities.

There is an airport in the municipality, however, the airport fails to yield satisfactory employment prospects comparable to those found in other urban areas. Consequently, the paper proposes to improve the efficient administration of the current infrastructure that does not generate ample employment opportunities. The unit to maintain and renovate the current trading shelters, which also include security measures. It is imperative that

each trading center is equipped with a security guard to ensure the protection of the shelters, as they are frequently occupied by homeless individuals who may engage in acts of vandalism. The safety officer and renovation can be funded through the licensing fees that will be provided by the vendors operating on the streets. The proficient and tactical use of the current infrastructure will generate huge employment prospects within the local government.

#### **4.4. Stop deploying projects outside of the LED scope in the LED unit**

The paper finding reveals the municipality task the LED unit to carry out programmes that fall outside the purview of LED. Such hinders the optimal impact of LED since by misdirecting the time and funding available to the Unit to achieve programs that are outside the target scope of the LED unit. The allocation of both funds and time towards such initiatives could potentially be redirected towards the LED objectives. Therefore, the paper recommends that the Polokwane Local Municipality cease to implement programs that fall outside the scope of LED within the LED unit.

#### **4.5 Develop a partnership with the traditional authorities in the municipality**

The participants stated that there is a significant hurdle faced by the LED unit during the LED implementation is that the traditional councils own certain plots of land in the municipality. These traditional authorities frequently interfere with the LED implementation process. Therefore, the paper suggests that it is advisable for the LED unit to develop a cohesive and congenial working relationship with traditional authorities. It is essential to involve these traditional authorities in the various stages of economic development, starting from the planning phase and extending to the execution phase. This will facilitate the seamless implementation of LED in regions where the land is in the ownership of traditional authorities, as they assume a crucial role in determining the use of the land within their jurisdiction.

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