

**INFORMAL ECONOMY IN PROMOTING LOCAL ECONOMIC DEVELOPMENT:
THE CASE OF MANGAUNG CENTRAL BUSINESS DISTRICT**

by

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DECLARATION

I, **Tshalofelo David Modirapula**, hereby declare that the thesis titled "**Informal Economy in Promoting Local Economic Development (LED): The Case of Mangaung Central Business District**" submitted for the qualification **Masters of Development Studies** at the University of the Free State is my independent work and I have not previously submitted the same work for a qualification at another university or institution of higher education.

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ABSTRACT

The number of people who are unemployed and living in poverty in South Africa has significantly increased, while inequality remains a pressing challenge. These challenges are exacerbated by the inability to create sustainable jobs in the formal economy. In contrast, the informal economy has been a sector where people have opened their businesses, and others have found employment. This study investigates how the informal economy can promote local economic development. In addition, the study aims to assess the approach of the Mangaung Metropolitan Municipality towards the informal economy and how this has impacted on the livelihoods of those making a living in this sector.

The researcher employed a qualitative approach to understanding the phenomenon of the informal economy. Data was collected through semi-structured interviews, and the respondents in the study were purposefully selected. The selected sample for the study comprised 23 participants and included municipal and government officials, informal traders operating in the Central Business District of Mangaung, and those in the Batho location. The interviews with all respondents were audio taped, and a thematic analysis strategy was used to identify and organise themes and identify mistakes in the collected data.

The study found that although the informal economy can contribute towards sustainable and inclusive LED in Mangaung, the sector's development needs to be supported. In addition, the information economy should be included in integrated development and budgeted for in the LED strategy. Furthermore, the approach of the Mangaung Metro needs to be more balanced and focused on the informal traders operating in the CBD and in the location. As a result, this has negatively impacted on the livelihoods of informal traders and highlighted separate development. The study recommends that the Municipality creates an environment that is conducive for informal businesses and that informal businesses operate as industrial clusters that can help create jobs and reduce poverty and inequality, in line with the goals of LED.

Keywords: Informal economy, informal sector, local economic development, poverty, unemployment, livelihoods, inclusive, sustainable.

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LIST OF ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
CBD	Central Business District
COGTA	Department of Cooperative Governance and Traditional Affairs
DESTEA	Department of Small Business Development, Tourism, and Environmental Affairs
DPLG	Department of Provincial and Local Government
DSBD	Department of Small Business Development
DTI	Department of Trade and Industry
EU	European Union
HSRC	Human Sciences Research Council
IDP	Integrated Development Plan
IEJ	Institute for Economic Justice
ILO	International Labour Organisation
LED	Local Economic Development
LEDAs	Local Economic Development Agencies
MMM	Mangaung Metropolitan Municipality
MSA	Municipal Systems Act
NDP	Nation Development Plan
NIBUS	National Informal Business Upliftment Strategy
NPC	National Planning Commission
PGDS	Provincial Growth and Development Strategy
PRODERE	Programme for Displaced Persons, Refugees, and Returns
RSA	Republic of South Africa
SAP	Structural Adjustment Programme
SASSA	South Africa Social Security Agency
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SETA	Sector Education and Training Authority
SMME	Small and Medium Enterprises
SSA	sub-Saharan Africa
Stats SA	Statistics South Africa

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CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

Researchers have long attempted to understand the informal economy. This includes the phenomena behind its position in labour, poverty, and development. The concept of "informal economy" was first used by Keith Hart during his discussion of the urban economies of developing countries in 1973 (Hart, 1973; Chen, 2012). According to Hart (1973:6), the informal economy refers to alternative work and business opportunities that do not fall under formal institutional policy frameworks and that people take up to make a living and earn an income. These informal activities include street traders; spaza shops; tailors; shoe repairs; waste recyclers; taxi operators; waste recyclers; and construction workers (Rogan and Skinner, 2017).

All these activities were considered small and existed for a short time. It was determined that the informal economy would vanish in a government with the right economic policies and modernisation (Mugoda, Esaku, Nakimu, and Bbaale, 2020). However, the reality is that the economy has expanded. In sub-Saharan Africa, the informal economy accounted for 80,8% of all employment in 2020 (Guyen and Karlen, 2020), which is higher than the rate of 2006 (50-75%) (Haan, 2006). Furthermore, the economy contributes 50% of the Gross Domestic Product of all African economies (Chekanya, 2017). The informal economy plays a significant role in employment, poverty reduction, and economic growth in the Global South's cities and economies. In South Africa, the formal economy does not function in silos; instead, it works side-by-side with the informal economy.

The informal economy is connected to several responsibilities of the local government. This includes ensuring community members participate in the municipal process and maintaining their right to economic activity. This viewpoint is reiterated in Section 152 (e) of the Constitution of South Africa. Furthermore, the sector includes profitable enterprises that may assist in the growth and development of a local community. Consequently, the emphasis of this study is to explore how the informal economy, incredibly informal street trading, is challenged, transitioned, and supported to contribute to local economic development (LED) for the Mangaung Metropolitan Municipality.

1.2 PROBLEM STATEMENT

In the early seventies, the International Labour Organisation's mission to Africa found that the informal economy had expanded and included profitable enterprises (Becker, 2004). A consensus amongst researchers in the debate on the informal economy (for example, Ruzek, 2014; Smit and Musango, 2015) is that the economy is a good source of income and employment for impoverished and unemployed people. For instance, in African countries such as Kenya the economy employs at least six million people, which is higher than the two million formally employed people (ILO, 2018a). Other benefits of the informal economy include its contribution to the gross domestic and national product (Hope, 2014:72). Additionally, the sector is integral to micro-finance (Hope, 2014). It provides credit in the rural sector of Kenya, where formal banking institutions are absent, and access to formal recognition is poor (Hope, 2014:73). Moreover, as an extension of the larger informal economy, informal street trading assumes a strategic and vital role in ensuring food security.

However, in contrast to its potential benefits, the informal economy can negatively impact on the economy and the environment. The economic impact is associated with avoiding paying taxes. As a result, this places more pressure on the taxes the formal economy pays. Equally, tax evasion or avoidance reduces national revenues and constrains the government's ability to develop or expand national programmes (Hope, 2014:75). In contrast, the formal sector will become less attractive as an employer and supplier of goods and services (Dijkstra, 2006). The danger is in the vicious cycle, which may end in most or all economic activity being carried out "underground". Furthermore, informality threatens sustainable urbanism (Magidi, 2021:5). In other words, a lack of policy on the informal sector has, to some extent, been perceived as the reason the economy is environmentally unfriendly and adds to the ongoing problem of air, water, land, and noise pollution. Additionally, the informal economy is associated with the unregulated exploitation of local resources (Dawa and Kinyanjui, 2012; Smit and Musango, 2015).

The mentioned opportunities of the informal economy in generating job and income opportunities as well as the problems mentioned above, are linked to local economic development objectives. This is because the informal economy involves the use of local resources (Ndabeni, 2014). Furthermore, the growing demand for economic growth to be inclusive highlights the need to include the informal economy in the municipal economic planning process (Mahlangu, Edoun, and Van Heerden, 2022). Therefore, the example of informal street trading is essential to comprehend informal sector processes and operations. On the one hand, this will reveal how the economy can generate economic opportunities and

create multiplier effects nationally and locally (Civil Society Mechanism, 2016). This includes ensuring that the marginalised are included in and benefit from local economic activity. On the other hand, it is hoped that it will unearth the economic, social, environmental, political, and operational challenges that hold back informal economic activities. Therefore, studies of this nature may inform the government's efforts to eliminate entry points through directed interventions by the local government and other interested parties.

1.3 AIM OF THE STUDY

The study investigated how the informal economy is challenged, transitioned, and supported to contribute to the local economic development. This research is demonstrated using the informal street traders operating in the Mangaung Central Business District and in Batho Location, Free State, as examples.

1.4 OBJECTIVES OF THE STUDY

The dissertation has the following objectives to accomplish the aim stated above:

- To understand the informal economy on an international level.
- To explore how the informal economy can promote sustainable and inclusive LED.
- To elucidate the legislation and practice that govern South Africa's informal economy.
- To evaluate the approach towards the informal economy and how such efforts have affected livelihoods in the Mangaung Metropolitan Municipality.
- To recommend how the informal sector can contribute more sustainably and inclusively to LED.

1.5 CONCEPTUAL FRAMEWORK

The conceptual framework will be based on the literature on local economic development and the informal economy and the relationship between these concepts. This includes its practice in sub-Saharan Africa and South Africa. Subsequently, a synopsis of the link between LED and the informal economy is provided. According to Meagher (2013) and Chen (2014), the potential role of the informal economy must be considered. Thus, the informal economy internationally and in sub-Saharan Africa is assessed.

1.5.1 LED International

Within the global context, local economic development (LED) practice was essential in poverty and unemployment reduction (Noqiniselo, 2019). Opp and Saunders (2013) emphasise that worldwide, organised local initiatives involve bringing together the public and private sectors, local communities, and not-for-profit organisations through partnerships. In New Zealand, for example, LED initiatives are more pro-market based. They are used to attract foreign investment and develop small enterprises, while at the same time encouraging self-employment and, to a lesser extent, community businesses and co-operatives (Scott and Pawson, 2013). In African countries such as Ghana, LED is pro-poor based and focused on strengthening the capacity of micro- and small-scale enterprises to generate new job opportunities within the informal economy (Akudugu and Laube, 2013). However, LED planning is said to have begun in Europe's late 1950s and early 1960s before being adopted as a suitable approach to economic development in other regions. Rodriguez-Pose (2001) explains that developmental challenges due to globalisation informed the need to rethink former strategies for development planning. During these periods LED initiatives focused on place marketing and investment attraction (World Bank, 2003). However, the main aim of the current LED phase is to encourage local support and collaboration between local stakeholders, attract inward investment to support cluster growth, facilitate workforce development and education. The main objective is to improve the quality of life for residents of a specific local community (Ruecker and Trah, 2007:13) through job creation, poverty alleviation and strengthening the local economy (World Bank, 2016).

1.5.2 LED in sub-Saharan Africa (SSA)

The countries in the SSA region have joined international efforts towards the decentralisation of state functions to sub-national government (Nel and Rogerson, 2007). The role of local government in economic development is one significant response (Rodriguez-Pose and Tijnstra, 2007), which resulted from national government failures to ensure that economic development takes place at the grassroots level (Rodriguez-Pose and Tijnstra, 2005). Cunningham and Meyer-Stamer (2005) state that urban planning has influenced the adoption of LED in Africa and borrows from the experiences of industrialised countries. Nel (2005a) postulates that LED is seen as a welfare approach, and neo-liberalism encourages local economic action and entrepreneurship and allows local authorities to respond to market opportunities. Binns and Nel (1999:389) concur that LED offers a people-centred and locally oriented approach as opposed to the structural adjustment programmes (SAPs) adopted in the nineties. Swinburn, Murphy, and Goga (2006) indicate that LED planning can strengthen

a local area's economic capacity, attract investments, and enhance the outputs and competitiveness of local businesses.

Furthermore, the quality of life in communities and the ability to fight poverty depend on understanding the process of LED. Local governments in the SSA region have yet to succeed in this regard. The centre needs better governance, and a lack of political will limits the potential of LEDs in socio-economic development (Karmani, 2011). Furthermore, military coups and conflicts challenge local authorities when carrying out administrative duties and engaging stakeholders in LED policy design and implementation. However, South Africa has been at the forefront of LED research (Kahika and Karyeija, 2017), providing lessons for effective implantation (PLATFORMA, 2015).

1.5.3 LED in South Africa

Local economic development activities are advised by South Africa (Rogerson, 2014). LED has been essential in re-engineering the country's local government (Thornhill, 2008). Rogerson (2008) explains that in post-democracy, LED in South Africa moved away from being a stand-alone local government intervention constrained in metropolitan areas, including Johannesburg, Cape Town, and Durban. LED is now a binding to all the municipalities in South Africa (RSA, 1996). Since then, LED practice has shifted to employment creation, poverty reduction, and ensuring that local resources and economic opportunities are distributed equally amongst all the people in the local municipal area (Department of Provincial and Local Government (DPLG) (2003:1). As part of this process, municipalities must develop robust and sustainable local economies (DPLG, 2003:1). According to Moyo (2007:221), LED practice in South Africa is informed by the government's need to reduce stagnant poverty and unemployment rates and the misconception of "trickle-down" in market-driven economies.

1.5.4 Informal Economy (International)

The informal economy (often also referred to as the informal sector) is growing in developing and developed countries (Lund and Skinner, 2004). Globally, it is estimated that about two billion people work, and an income from the informal sector equates to about 60% of the total global workforce (ILO, 2020). The share of standard output is the highest in sub-Saharan Africa and Europe, with 40% of the Gross Domestic Product between 2010 and 2018. According to Guha-Khasnobis, Kanbur, and Ostrom (2006), the activities in the informal sector are not guided or controlled by legislative frameworks and policies as in the formal economy and are mostly carried out in public or private spaces. These include opening their businesses

or engaging in informal work in the agricultural, construction, manufacturing, transportation, and services sectors (Van Rooyen and Antonites, 2007: 332).

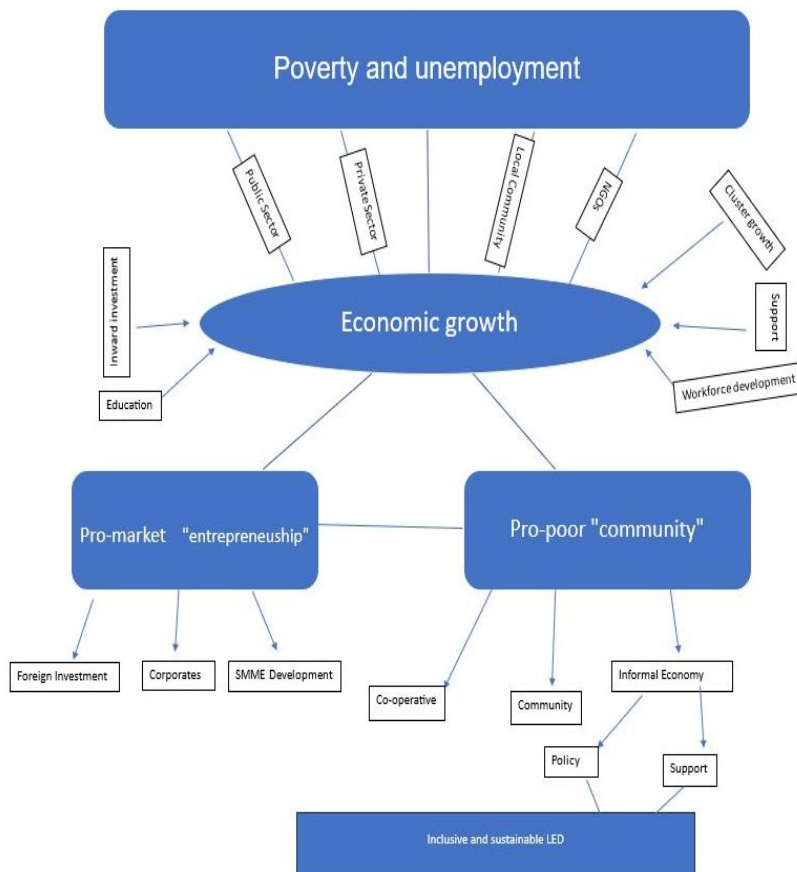
Four perspectives as to why people join the informal economy, and its growth are explained. First is the structuralist perspective, in which participation results from people's exclusion from state benefits and the formal labour market (Williams, Horodnic, and Windebank, 2015:2). Second, people join the informal economy voluntarily and this is often exacerbated by the need to avoid state regulations and taxes. Other perspectives involve the dualistic nature of the country's economy, in which the informal economy is seen as an independent component of the formal economy (Chen, 2012:5). Dualists believe participation in the informal economy is a consequence of population growth and modern industrial development (Monyebodi, 2021:7) and that people only use it during economic downturns. Lastly is the legalistic school, which agrees that people join the informal economy to avoid a legal requirement that stifles business activity (Bonnet and Venkatesh, 2016). Furthermore, the legalistic school argues that the informal economy is not a sign of poverty.

1.5.5 Informal Economy in SSA

Accompanying the Western economic philosophies was the idea that the African informal economy would later become formalised and would cease to exist (Ruzek, 2014). However, the economy has expanded and persisted. Other researchers have studied the nature of the informal economy in SSA (for example, Becker, 2004; Ruzek, 2014; Smit and Musango, 2015; Tshuma and Jari, 2013) and agree that it provides employment and income. Specifically, the African Development Bank (2018) estimates that the informal economy employs 60–80% of sub-Saharan Africans and generates 90% of new job opportunities. However, the composition of the informal economy varies by country. Mali, Mozambique, and India have the highest rates of the informal economy (90%), whereas Kenya has eight out of ten self-employed workers (Ohnsorge and Yu, 2022). Over 2,5 million people in South Africa are employed in the informal sector, constituting 20% of the country's workforce (Masuku and Nzweni, 2021). Magidi (2021) argued that the informal sector is essential to the context of SSA and Zimbabwe. This is because people with low educational attainment find work in the informal economy (Magidi, 2021). This point is backed by findings from the Association of Chartered Certified Accountants (ACCA) report (2017), which found that people who cannot afford expensive tertiary or university education are often subjected to informal employment. Fields (2005) holds that the two-tier view of the informal economy is associated with the idea that low-income people are not afforded alternatives. Therefore, turning to the informal economy is the only choice they have. Work in the informal economy is categorised by casual trading of agricultural products, manufactured goods (such as processed food, clothing, and electronics), and

services (such as car repairs and artisanal work) (Chen and Carré, 2020). Fraser, Moonga, and Wilkes (2014) add that the informal economy supplies basic food requirements. As a result, the sector is critical to ensuring food security. With these insights, the informal economy has assumed an essential role in urbanisation and achieving economic growth in global south cities, including South Africa.

Figure 1: Conceptual framework



Source: Author's compilation

1.6 RESEARCH METHODS

The study used qualitative research because of the evaluative nature the topic, which is the informal economy in promoting local economic development: The case of Mangaung Metropolitan Municipality. Denzin and Lincoln (2000:3) and Creswell (2007:37) advocate using qualitative research since it includes an interpretative and naturalistic approach to the world. Furthermore, the authors argued that a qualitative research inquiry allows the researcher to collect sensitive data relevant to the topic under investigation (Denzin and Lincoln, 2000:3; Creswell, 2007:37). According to Marvasti (2004), qualitative approaches are more appropriate because they provide detailed accounts and examinations of the quality of the

human experience. The qualitative approach employs inductive reasoning to identify patterns and themes (Creswell, 2007:37). Based on these viewpoints; the researcher used a qualitative approach to investigate questions such as "what," "why," and "how" to address societal realities through specific experiences, interests, and broader societal insights on the topic under study (Hasse-Biber and Leavy, 2010). However, while it is simple to begin with, it is frequently difficult to interpret and present qualitative research findings, which are challenged (Neville, 2007:3). To overcome the identified challenge, the judgments and perceptions of participants are captured to understand the cause-and-effect processes in the informal economy.

1.6.1 Research Design

A case study design was adopted to study the phenomenon in context (Robson, 2002). The researcher used a case study to understand the interfaces and relations between the participants or different components of the informal sector in Mangaung Central Business District (CBD) and in Batho Location, a historically black township in residence in Bloemfontein (Ritchie, Lewis, Nicolls, and Omston, 2013:52). According to Nieuwenhuis (2006:79), case studies focus on a system of actions that may include one or two concepts or issues that are critical in obtaining a comprehensive understanding of the topic under investigation. Yin (2003:8) asserts that case studies are unique because they allow those applying them to deal with a wide range of evidence. In addition, case studies allow the researcher to go beyond what might be offered by a conventional historic study. As a result, the case study method is most preferred where research focuses on current events. The researcher employed a case study to uncover any social, cultural, or political factors that he is unaware of (Bhattacharjee, 2012:40). The Mangaung Metropolitan Municipality is viewed as emphasising policy nature and the interactions and activities with the Small Enterprise Development Agency, the Department of Small Business Development, Tourism and Environmental Affairs, and informal trader's associations in the Mangaung area.

1.7 DATA COLLECTION METHOD

The researcher conducted semi-structured interviews to collect data that allowed him to gain a complete understanding of the informal economy or sector in Mangaung and the role of the economy in the Mangaung Metropolitan Municipality's overall LED. According to Marvasti (2004), semi-structured interviews allow participants to provide detailed statements and connect them to other issues the interviewer may be unaware of. This involved probing respondents' initial responses to the questions by asking them "what," "why," and "how"

(Seidman, 2006). The interview questions were written in English. However, for all the informal traders the researcher translated the interview questions into Sesotho (see appendix J); the city's most widely spoken language. The researcher is fluent in both languages, putting him in an excellent position to investigate and respond promptly. These interviews included informal street traders, municipal officials, Free State Small Enterprise Development Agency (SEDA) officials, and Provincial Department of Economic, Small Business Development, Tourism, and Environmental Affairs (DESTEA) officials. All the officials interviewed are responsible for LED planning, and their work touches on the processes of the informal economy in Mangaung. These interviews consisted of participants knowledgeable about economic development planning and chairpersons of informal business associations.

The researcher visited the offices of support institutions and associations. The telephone numbers of the correct officials were obtained. The researcher made an appointment with all participants through a telephone conversation. The same approach was applied when interviewing street traders, whose names and contact details were obtained from support institutions and the association. However, the interviews were conducted conveniently to limit distractions and the challenge of running the business and participating in the study. Interviews were expected to last 45 minutes and were recorded.

1.8 POPULATION AND SAMPLING DESIGN

This section discussed the population and sampling design. The section is divided into a study population, sample strategy, and sample size.

1.8.1 Study Population

This study's population of street traders is drawn from the Mangaung Central Business District, and the unit of analysis is young and older (female and male) informal street traders. However, the population also included informal street traders operating in the Batho Location, a historically black township in residence in Bloemfontein. These trades were included because of the need to understand the municipality's approach towards the informal economy and how such efforts have affected the livelihoods of informal street traders and their families. Furthermore, the study's population comprised officials from the Mangaung Metropolitan Municipality, SEDA, DESTEA, and the Informal Economy Association chairpersons. The officials in the study were included because of their knowledge and insight into Mangaung's informal economy.

1.8.2 Sampling Strategy

The researcher made use of a purposive sampling strategy to identify and recruit the people interviewed for the study. Purposive sampling is non-probability sampling. The sampling technique involves a process, in which participants believed to possess the knowledge relevant to the topic are chosen for an in-depth interview based on a defined criterion by the researcher for the study's issues (Robinson, 2014). In other words, the researcher relied upon his judgment to identify and recruit participants (Babbie and Mouton, 2001).

Local economic development managers employed by the Mangaung Metropolitan Municipality and the manager in charge of informal enterprise registrations at SEDA were invited to participate in the study. The interviews also included the chairperson of the Informal Economy Association and officials employed at DESTEA responsible for LED planning and economic research. The researcher believed that these participants are best suited to serve as a sample from the perspective of a public official because they are also responsible for ensuring that the government is responsive to community needs and concerns. The researcher oversaw scheduling interviews with participants and obtaining consent. Likewise, the researcher visited the department and municipality offices to ask for assistance in order to obtain the contact details of the people interviewed for this study.

The researcher relied on referrals from municipal officials and chairpersons of informal economic associations to identify informal sector businesses and other key stakeholders. Relevant participants are informal street traders who operate in the Mangaung CBD and were observed by the researcher during the field visit. The researcher included informal street traders in the study to enhance the validity and the officials' responses. Furthermore, the inclusion of informal street traders was influenced by the experiences (positive and negative) they have had and how the municipality's efforts towards the informal economy have impacted on their livelihoods. Ultimately, the inclusion of informal street traders was sought to answer the fifth research objective, which is to make recommendations on how the informal sector can be strengthened to contribute to LED that is both sustainable and inclusive.

1.8.3 Sample Size

Although the sample size in qualitative research has been heavily criticised as too small, it allows the researcher to determine when the data has reached saturation quickly (Maree, 2007). According to Bryman (2012:421), saturation in research refers to the period when data obtained from participant interviews only provides similar descriptions rather than "new insights into an emergent theory or no longer suggests new dimensions of theoretical categories". Crouch and McKenzie (2006) agree when they assert that a small sample size is recommended. This is because a sample of fewer than twenty participants increase the researcher's chances of getting close to participants and allows the researcher to generate

quality data. Furthermore, a small sample size makes it easier to conduct a thorough, case-based analysis (Onwuegbuzie and Collins, 2007: 289). Therefore, twenty-six participants were chosen for this study based on the guiding principles of theoretical sampling. Specifically, the researcher intended to interview 20 informal street traders operating in the CBD and the Batho Location. However, as illustrated in Table 1, the researcher managed to interview 17 informal traders with seven being from the Batho Location. The sample also included one director for LED from the municipality, the chairperson, and the secretary of the Informal Economy Association, a SEDA official, and two from DESTEA.

Table 1: The Number of Participants

Participant	Number
Informal street traders (in the CBD)	10
Informal street traders (in Batho Location)	7
Manager of LED planning at the Mangaung Metropolitan Municipality	1
Informal Economy Association	2
SEDA: official (including the manager) working on informal economy registrations	1
DESTEA: economic development planning and enterprise development	2
TOTAL	23

The table below demonstrates the inclusion and exclusion criteria that the researcher followed when choosing a sample:

Table 2: Inclusion and Exclusion Criteria

Criteria	Inclusion	Exclusion
Age	18 and older	Participants under the age of 18 and participants older than 65
Gender	Both males and females	-
Geographic location	Informal traders in Mangaung CBD and Batho Location	Informal traders outside the geographical area of Mangaung CBD and Batho Location.
	Officials employed in MMM, SEDA, DESTEA, and the Informal Economy Association	

Excluding participants under 18 assumes they do not have legal consent. Although street vendors over 65 will be included, this will not apply to municipal, SEDA, and DESTEA employees. In South Africa, the retirement age is 65, which means they will be on a pension, and it isn't easy to reach them.

1.8.4 Sample in the Research

Data collection for the present study took place between January and March 2023. As highlighted above in section 1.8.3, the researcher intended to sample 26 participants, however, a total number of 23 interviews were completed with 17 informal traders and six other stakeholders. The following tables highlight the demographics of respondents that were interviewed.

Table 3 describes the participants (informal traders) interviewed in Mangaung's CBD. The participants from the CBD consisted of five females and five males. A total of ten participants were interviewed, of which five were aged between 23 and 34 and sixty per cent were aged between 35 and 58. Participants had to operate actively in the CBD as informal traders (owner or employee).

Table 3: Representation of Central Business District Participants

Respondent	Gender (M/F)	Age	Country of Origin	Owner / Employee
T1	F	58	South Africa	Owner
T2	M	25	Lesotho	Employee
T3	F	54	South Africa	Owner
T4	F	37	Lesotho	Owner
T5	M	32, 32, and 23	South Africa	Owner (three brothers)
T6	F	43	Lesotho	Owner
T7	F	29	Lesotho	Owner
T8	M	44	South Africa	Owner
T9	M	34	South Africa	Owner
T10	M	43	South Africa	Owner

However, in the Batho Location, as shown in Table 4, seven participants were interviewed, three were females, and four were males. The participants included two Lesotho nationals and five South Africans. One participant indicated that he is a Lesotho national operating in partnership with a South African national.

Table 4: Representation of Batho Location Participant

Respondent	Gender (M/F)	Age	Country	Owner/ employee
T11	M	24	Lesotho	Employee
T12	M	35	South Africa	Owner
T13	F	34	South Africa	Owner
T14	M	41	Lesotho	Partnership
T15	F	52	South Africa	Owner
T16	M	60	South Africa	Owner
T17	F	46	South Africa	Owner

Table 5 illustrates the representation of stakeholders. Two participants represented the DESTEA, one from the provincial SEDA, one from the Mangaung Metropolitan Municipality, and two from the Informal Economy Association. The researcher requested an engagement with the provincial Department of Cooperative Governance and Traditional Affairs to participate in the study. However, the individuals declined a request to participate, citing that they needed more information on the research topic. A total of six participants were interviewed, of which only one was female. The representatives were at the senior management level in their respective institutions. Participants were directly involved with Mangaung's informal economy and LED. They are formulating LED strategies, integrated Development plans (IDPs), and ensuring that informal economy participants are being supported by their respective departments.

Table 5: Representation of Stakeholders

Respondent	Gender (M/F)	Department / Organisation	Level
S1	F	SEDA	Junior level
S2	M	DESTEA	Senior level
S3	M	DESTEA	Senior level
S4	M	Informal Economy Association	Senior level
S5	M	Informal Economy Association	Senior level
S6	F	Mangaung Metropolitan Municipality	Senior level

1.9 DATA ANALYSIS

As highlighted in section 1.7, the data for this study is obtained through face-to-face semi-structured interviews with participants. The researcher conducted in-depth interviews (including questions for research participants) to investigate and comprehend how the informal economy can promote local economic development. Officials from the Metro area and officials from the Informal Economy Association, SEDA and DESTEA were interviewed.

1.9.1 Government

The government included the Mangaung Metropolitan Municipality, SEDA, and DESTEA in this study. The researcher interviewed municipal officials working on local economic development planning, SEDA officials working on informal economy business registrations, and DESTA researchers working on LED planning and enterprise development. The researcher identified and recruited representatives from each department. The researcher sought to explore the municipality's efforts to support informal street traders and the by-laws that enable or promote the operation and existence of street traders in the Mangaung CBD and in Batho Location. In addition, questions were directed towards determining how the municipality taps into the informal economy's potential opportunities for society, particularly the sector's ability to contribute to the inclusivity and sustainability of LED in the Metro. The presence of SEDA representatives was meant to determine whether the industry is being considered for formalisation. Appendices E, F, and G include interview questions for designated department/organisation employees. Appendix H serves as a guide for questions to the chairperson of the Mangaung Informal Economy Association. All interviews with

government officials were conducted in English since it is the language primarily used in communicating government information. Each interview was approximately 45 minutes long.

1.9.2 Informal Street Traders

A semi-structured interview was conducted with informal street traders, consisting of several questions. Each interview was approximately 45 minutes long. A pilot study with two interview questions with street traders was conducted to test the research instrument and allow the researcher to identify potential problems and make necessary changes before implementing the instrument. In addition, a pilot study was conducted to safeguard the validity of the research findings (Gani, Rathakrishnan, and Krishnasamy, 2020). Appendix I includes a template for interview questions the researcher had with informal traders. These interview questions and the consent forms for street traders were translated into Sesotho (appendix J) to make it easier for traders to understand the questions.

1.9.3 Thematic Data Analysis

A thematic analysis approach was applied to analyse the interviews. The researcher employed a thematic analysis based on its flexibility to be tailored to the needs of the overall research project, resulting in detailed and multifaceted records of information (Braun and Clarke, 2006). However, the flexibility in the thematic analysis may lead to coherence (Holloway and Todres, 2003). As a result, an epistemic point that could underpin, fortify, and reinforce empirical claims was required (Holloway and Todres, 2003).

Conducting a thematic analysis begins with organising, transcribing, and reading the collected data before categorising the data into more minor codes (Guest, MacQueen, and Namey, 2012). The researcher followed Braun and Clarke's (2006) six-step guide for conducting a thematic analysis. The first step involved the researcher familiarising themselves with the data. Step 2 coded initial ideas, whereas Step 3 searched for themes in the data. Step 4 reviewed the identified articles, while Step 5 defined those themes. Finally, in step 6, the writing process began. Through this process, the researcher was able to identify differences, similarities, and errors in the data and create a platform for future research (Ritchie *et al.*, 2013).

1.10 RESEARCH ETHICS

Before proceeding with data collection, the researcher needed to obtain approval from the ethical review board (Roulston and Choi, 2018). As such, the researcher followed the

necessary processes and obtained ethical clearance from the University of the Free State Ethics Committee before (Approval No.: UFS-HSD2022/1097/22) data collection (see appendix A). The present study aligned with the following ethical considerations.

1.10.1 Protection from Harm

The researcher ensured that all respondents were safe from harm. Babbie (2001:471) believes researchers must search for and avoid subtle dangers. The researcher-maintained participants' privacy and confidentiality and collected information anonymously. In other words, the researcher ensured that all the respondents fully comprehended the study's purpose and implications. Furthermore, after conducting interviews, the researcher debriefed participants, providing an opportunity to correct and rectify problems and misunderstandings that occurred during the research experience.

1.10.2 Permission to Conduct the Study

To ensure the research process is legal, the researcher obtained approval from the City Manager of the Mangaung Metropolitan Municipality to involve officials employed in the municipality and informal street traders operating their businesses in and around the Mangaung CBD (see appendix B). The process of asking for permission also applied to officials employed at DESTEA and SEDA (see appendixes C and D).

1.10.3 Informed Consent and Voluntary Participation

Before agreeing to the terms of the study for interviewing, the researcher gave each participant a letter of consent to participate (see Appendix k), which they had to read and understand. According to Bryman (2012), consent forms provide respondents with accurate information about the study and the implications of their participation from the start. All participants were informed that participation is voluntary and that there is no financial reward for participating. This aspect included informing all participants that they could withdraw their participation from the interviews at any given time if they provided reasons for starting the research for reporting. Moreover, respondents were informed in detail about the purpose of the study project and what the study is intended for.

1.10.4 Confidentiality, Privacy, and Anonymity

The researcher oversaw that participant's personal information and details are not disclosed to anyone under any circumstances and will not be used for exploitation or personal gain.

Codes were used to record their names, addresses, or contact information to ensure anonymity and privacy. Furthermore, all interviews were conducted in comfortable and secure setting where respondents could freely express their views (DeJonkheere and Vaughn, 2019:4). This is often done to avoid interruptions and to allow the researcher to make a clear recording.

1.11 LIMITATIONS

The researcher tried to maintain the study's validity and reliability. However, efforts could have been made to improve the quality and size of the chosen sample. The study applied a purposive strategy in selecting participants (officials), and the researcher chose traders during field visits. Notably, the researcher could not include other forms of informal businesses, such as waste management and transportation, in the construction business. Accordingly, the researcher could not cover the entire area of the Batho Location or the CBD to identify suitable participants. Similarly, not all the informal economy participants from different informal sector activities were interviewed. This resulted in the researcher missing the chance to get a rounded understanding of the impact of the Mangaung Metro approach towards the informal economy and the impact on the livelihoods of the participants and those in their households.

Secondly, the researcher could not reach the officials directly working on LED at the Municipality. In addition, the researcher was referred to the COGTA directorate working on LED coordination and implementation. However, the officials declined the interview request, citing that they do not have information on LED in MMM.

1.12 CONCLUSIONS

This chapter introduced the study. It provided a background to the problem statement and the aim of the study. Additionally, a discussion on the methodology the researcher employed is provided in this chapter. The following chapter investigates the literature on local economic development.

CHAPTER 2: LOCAL ECONOMIC DEVELOPMENT

2.1 INTRODUCTION

Continuing from the preceding chapter, the present chapter will conceptualise and review the literature on local economic development (LED). The emphasis is on LED in the international and African contexts and in South Africa. The chapter also provides a synopsis of the legislative framework governing LEDs in South Africa and the challenges faced in LED implementation in the country.

2.2 LOCAL ECONOMIC DEVELOPMENT DEFINITION

Local economic development (LED) is a comprehensive and integrated community approach in which local governments work with community-based organisations, private businesses, and the public to achieve long-term growth and development (Azunu and Mensah, 2019). The goal is to promote job creation, alleviate poverty and strengthen the local economy (World Bank, 2016). The World Bank (2001:4) takes it a step further, referring to LED as follows:

“To increase a local area’s economic captivity to improve the economy’s future and the quality of life for all. It is a process in which the community, businesses, and the formal non-governmental sector collaborate to improve economic growth and job creation. In this regard, LED focuses on increasing competition, ensuring sustainable and inclusive growth”.

2.2.1 LED Approaches: Pro-growth and Market-led vs Pro-poor

There are two permanent LED approaches: pro-poor growth or market-driven and pro-poor LED (Human Sciences Research Council (HSRC), 2003). On the one hand, LED pro-growth strategies promote the efficiency of urban environments, the attractiveness of places, marketing, and providing incentives to businesses. The approach enables local economies to respond to macro-environment changes. In addition, policy in market-led strategies is aimed at directing investment to local governments, with companies driving economic growth and poverty eradication (Mensah, Bawole, and Ahenkan, 2017). The problem with the pro-growth approach is that branding, and investment do not guarantee long-term job creation in the local

economy (Bond, 2003). Furthermore, pro-poor growth does not always benefit people experiencing poverty (Abrahams, 2003).

On the other hand, people are central to pro-poor approaches (Garidzai, 2018). Pro-poor growth strategies ensure that poor and marginalised groups or individuals participate in the formal economy (Abrahams, 2003). The approach recognises the potential role of public-private partnerships, small-to-medium enterprise support, and the need for targeted investments (World Bank, 2001). However, because of the broader economic impact, a shift towards pro-poor initiatives will necessitate striking an equilibrium between pro-poor and pro-growth interventions (Van Kesteren, Dekker, Miroro, Gassmann, and Timár, 2018). According to Bradshaw and Blakely (2002), pro-growth and pro-poor approaches use formal businesses and industrial development as alternatives to addressing poverty and improving the local economies.

2.3 LOCAL ECONOMIC DEVELOPMENT: A GLOBAL PERSPECTIVE

The Keynesian welfare system impacted local economies with limited resources (Nel and Humphrys, 1999). The Keynesian system relied heavily on top-down government interventions for spatial distribution, growth, and development (Nel and Humphrys, 1999). Despite this, the Keynesian welfare system resulted in energy crises, stagnant and limited growth, and inflationary cycles. This led to a general decline in public consumption and incomes, encouraging the adoption of people-centred strategies and regional economic development plans (Tomlinson, 2003). Bottom-up approaches and LED initiatives followed (Nel and Humphrys, 1999). Noqiniselo (2019) contends that in the global context, LED practice assumes an important role in poverty and unemployment reduction.

According to Barca, McCann, and Rodriguez-Pose (2012), LED began as a dynamic place-based planning approach. LED was first introduced to the global community in the late 1960s and early 1970s when it first became a standard developed planning practice (Hoogendoorn and Visser, 2010). Tselios, Rodriguez-Pose, Pike, Tomaney, and Torris (2012) explained that LED planning started in Europe around the 1960s before being adopted as a suitable approach to economic development in other regions. In the 1960s and 1970s, LEDs materialised in North America as a strategy to mitigate the impact of deindustrialisation and declining economic growth rates (Clark, Huxley, and Mountford, 2010:40).

LED planning's growing importance must be connected to the global economy and globalisation changes (Rogerson, 2014:204). According to Rodriguez-Pose (2001), advances in globalisation necessitated a rethinking of development thinking with a renewed emphasis

on LED approaches. This process shifted from the traditional local government approach of urban managerialism towards urban entrepreneurship, granting municipalities the status of entrepreneurs (Leitner, 1990). According to Bartik (2003), the goal was to involve cities in economic analyses to understand the processes that inhibit economic growth and investment better. The desired outcome was for municipalities to create new employment opportunities and attain economic growth (Bartik, 2003). However, LED initiatives were launched between 1960 and 1980 and were mainly focused on place marketing and investment attraction (Pike, Rodriguez-Pose, and Tomaney, 2006). In the second phase of LED initiatives, business retention and the growth of existing local businesses also came into the policy as attention shifted to local economic potential, the competitiveness of existing businesses, and encouraging entrepreneurship and business start-up (Ruecker and Trah, 2007:12). The primary tools for LED support from 1980 to the mid-1990s included the provision of business incubators, start-up support, and technical support for small and medium-sized businesses (World Bank, 2003:5).

However, after the 1990s, a more holistic approach to LED practice developed in the global North (Pike et al., 2006; 2007). The focus was on business support measures and sectoral development approaches of the second phase through creating a conducive business environment (Ruecker and Trah, 2007:13). Currently, the aim of LED centres on providing a competitive local business environment and fostering public and private and community partnerships (Ruecker and Trah, 2007:13). Accordingly, the ILO's approach to LED was encouraged by its involvement in the Programme for Displaced Persons, Refugees, and Returns (PRODERE) (ILO, 2011:1). The programme was implemented between 1990 and 1995. It represented a move away from traditional top-down technical cooperation programmes. The current LED phase is to encourage local support and collaboration between local stakeholders, attract inward investment to support cluster growth, facilitate workforce development and education. The main objective is to improve the quality of life for residents of a specific local community (Ruecker and Trah, 2007:13) through job creation and strengthening the local economy (World Bank, 2016). Several countries, including India, Mexico, Romania, Croatia, and New Zealand, encouraged local government strategies rather than central government intervention.

2.3.1 Local Economic Development in India

Many Asian governments have incorporated local and regional governance into their planning. Almost all the region's countries have allowed decentralising government functions. They recognise the significance of local government in providing essential services and promoting and sustaining LED. As a result, local governments can create an environment conducive to

business development, retention, and attraction, primarily by branding locally produced goods. This includes offering incentives, training and education, assisting emerging small businesses, and constructing developmental infrastructure. In India, for example, the Constitution is at the forefront of power devolution to local governments. The Constitution explicitly assigns Panchayats (village councils) the responsibility for designing and implementing economic development plans while ensuring social justice (Alok, 2011) due to state agencies' failure to address local needs and priorities.

On the one hand, local authorities in rural India focus on improving farming practices, ensuring local businesses have access to markets and domestic and global value chains, and encouraging local businesses. Urban programmes, on the other hand, are primarily concerned with skill development initiatives carried out through public-private partnerships. Furthermore, in Kerala, India, the local government works with the Local Economic Development Society (LEDs) to build successful entrepreneurs and collectives by collaborating with small producers and entrepreneurs.

2.3.2 Local Economic Development in Mexico

In the mid-1980s, Mexico began to integrate into international markets. Since then, much decentralisation has given subnational governments a role in social and economic matters (Rodriguez, 1999). Local governments are at the forefront of economic development, particularly in dealing with financial crises and poverty reduction (Corona, 2012). In a study on the LED of 898 municipalities in Mexico, Rodriguez-Pose and Palavinci-Corona (2013) provided one explanation for this effect. The findings indicate a slight improvement in human development in cities with LED strategies, with the result being more pronounced in towns with capacity building. Much of the success can be attributed to bottom-up approaches to LED, which have empowered Mexican municipalities to plan development and encourage citizen participation in public affairs. In addition, the bottom-up process helped to ensure that there is clear coordination of activities between the different levels of government and other municipalities.

2.3.3 Local Economic Development in Romania

Romania's political and economic history has left the country as one of the rural areas within the European Union (EU). The World Bank (2020) has reported that, appropriately, 46% of the total population of Romania live in rural areas, a rate higher than the average (25 percent) of the EU. In addition, 39% of the people living in rural areas face consistent strides towards poverty, which is blamed on the lack of economic activity and entrepreneurial programmes

and the underdevelopment of the agricultural sector (Pavel and Moldovan, 2019). Bucur (2023) added that the lack of domestic and foreign investment in Romania has negatively impacted on the standard and quality of life of people living in rural areas. In addition, they cannot produce and fend for themselves in emergencies. As a result, the country has experienced more people migrating to other countries (Ulman and Dobay, 2020).

The challenge above encouraged the government of Romania to implement programmes to support the facilitation of LED in rural communities. Here, the location and integration of rural areas into urban communities and the infrastructure connecting them to the European Road Network are being used to influence LED. Like in other countries, LED has been underpinned by globalisation, economic crises, the relocation of industries, and institutionalisation for local development. This was followed by the passing of several Acts, such as Local Government Law No. 69 of 1991, which was amended in 2001. The law set out the principles of independence, legality, responsibility, cooperation, and solidarity to solve the problems faced in local communities. The second was Law No. 151 of 1998, which set out the institutional frameworks, principles, objectives, skills, and tools necessary for regional development in Romania. According to Bercu (2015), Law No. 151 of 1998 was critical to ensuring local development.

Although Romania has yet to experience the same level of development as its EU neighbours (Bucur, 2023), LED has been used to ensure that administrative units receive fiscal transfers for infrastructural development. Moreover, LED is used as a government plan for community development. Nonetheless, the ability to achieve the goals of LED in Romania has met diverse factors such as human population, economic structure, revenue, public services, spatial location, and governance (Simms, Freshwater, and Ward, 2014).

2.3.4 Local Economic Development in Croatia

Croatian statehood was established in the 1990s. Since then, the country has been involved in local and regional reformation, accompanied by changes in administrative and territorial arrangements and reforms related to decentralisation (Ivana, Mrijana, and Jelena, 2005). The local government system was introduced in 1992, with a legislative framework for local and regional self-government.

Surprisingly, economic planning in Croatia is still done at the national level. Sumpor (2004) emphasised that, before 2001, countries had dual functions and were primarily responsible for performing delegated tasks at the national level while neglecting, to some extent, their role in self-government. Furthermore, laws and regulations with significant spatial economic effects are broadly defined nationally. On the other hand, their implementation is coordinated across

all levels of government, and they are required to cooperate. Local governments must encourage and promote economic development in their communities (Ivana et al. 2005).

Through local economic development agencies (LEDAs), the Croatian government is forming linkages between conventional policy areas and different levels of policymaking, including the micro, macro, and international economic policy levels. Mainly, LEDAs are entrusted with providing leadership in developing an integrated framework for local development. This is expected to help maximise the use of scarce resources by identifying existing regional institutions, programmes, or initiatives that will help municipalities to achieve the setting of LED goals.

LED in Croatia has begun to explore business models that are suitable for ensuring economic and social stability in communities, such as the cooperative movement. Current LED initiatives in Croatia include local government incentives (lower surtax on income tax, tax on unused land, utility charges and contributions), financing local economic entities (annual credit lines), business support initiatives, the provision of business-related infrastructure, the formation of networks and associations, and the promotion of human resources (Salzano, 2002).

2.3.5 Local Economic Development in New Zealand

The New Zealand government has pursued community-based local economic development initiatives (McNaughton, 2011: 19). The main goal has been the quality of life for citizens. However, political shifts that resulted from the 1949 elections saw a change in support for policies on community development (Chile, 2006). This resulted in the government facing a challenge to influence community members' decisions and their capacity and ability to become more self-sufficient through the 1970s (Chile, 2006). Similar trends were noticed in Europe and Australia, where LED rose because of national government failures instead of the growing recognition of the value of local government (Blakely, 1989). Interestingly, the inability of the national government to influence community decisions led to government enacting the Local Government Act of 1974. The Act required that community development must be at the centre of the initiatives pursued by local authorities (Chile, 2006). However, by 1984, there was a change in the mindset that government goals could be achieved through a free market economy instead of picking winners and redistributing resources (Willis, 2008). Nonetheless, this did not replace regional development. Indeed, the neo-liberal economies introduced between 1984 and 1999 laid the foundation for community-driven development and the creation of local economic organisations in New Zealand (Willis, 2008).

2.4 LOCAL ECONOMIC DEVELOPMENT IN AFRICA

The newly independent African states had established a centralised governance system and macroeconomic and sectoral management. The centralisation of public policy management has resulted in significant inequalities in income, access to affordable housing, and essential social services (water, electricity, health care, and education) (Yatta, 2015). This situation was exacerbated by misallocating benefits and the high costs associated with poor service delivery to local communities, affecting local development. According to Yatta (2015), the policies were supply-driven, generally timeless, top-management sector initiatives forwarded domestically at the neighbourhood level, and unsustainable from an infra-communal standpoint.

In many African countries, local concerns have gradually been incorporated into planning. According to Yatta (2015), the concept of local economic development is deeply embedded in development strategies, beginning with simple techniques with territorial and spatial implications. Furthermore, participatory governance appears in development theories and practices (Ntetha, 2021). This represents a shift from traditional developmental thinking, laying the groundwork for long-term development (Swinburn and Yatta, 2006). One significant response has been the adoption of LED in development planning (Rodriguez-Pose and Tijmstra, 2007).

The connection between decentralisation and local economic development has yet to be well received (Crawford-Lee and Hunter, 2009). Decentralisation was launched across many African countries as part of democratic transition and representative democratic politics, which followed decades of centralised power and single party governance (Ntetha, 2021). During this time, decentralisation was primarily concerned with political and administrative issues such as territorial division, local elections, and the role of local authorities in the national party (Ntetha, 2021). According to Ntetha (2021:23), the predominance of the political aspects of decentralisation resulted in the neglect of economic and financial concerns. The financial woes caused by the 2008/09 economic crisis and African countries' persistent economic stagnation have raised new concerns about youth unemployment and income generation. According to Sumberg, Fox, Flynn, Madar, and Oosterom (2021), local governments are at the forefront of job creation and income generation. Ntetha (2021:23) identified two factors that have resulted in high social demands and renewed interest in LED initiatives: population growth and globalism.

Advanced globalisation (Mlambo, Ndebele, and Zubane, 2019:389) places the territory of the agenda as a complex point in a world that has become borderless regarding the migration of human resources, capital, and companies (Ntetha, 2021). In this regard, local authorities are

critical in reconciling economic dynamism with social transformation and searching for a positive balance between the common good, public administration, and private initiatives. This places LED at the forefront, particularly in remedying local concerns and ensuring sustained development. Recognising this, Binns and Nel (1999:389) asserted that LED offers a people-centred and locally-oriented approach instead of the structural adjustment programmes (SAPs) adopted in the nineties. Notably, SAPs should have addressed SAA's developmental challenges. Nel (2001:1004) concurs that SAPs in Africa caused debt, currency devaluation, and socioeconomic and political shocks. For example, Kahika and Karyeija (2017) argue that NEPAD has yet to bring aid and attract foreign investment flows to African countries or mobilise African savings estimated to be worth up to 40% of African GDP to be held outside of Africa. Rodriguez-Pose and Tijmstra (2005) concurred that LED adaption in Africa is a response to ongoing issues of stagnant and low economic growth, poverty, changes in the nation and global economy, and failure of the national government to carry out local government functions. Mensah, Domfeh, Ahenkan, and Bawole (2013) conclude that African governments use LED to ensure that development and economic governance occur at local levels.

The following sections of the chapter view LED in selected African countries, i.e., Ghana and South Arica.

2.4.1 Local Economic Development in Ghana

Ghana's changing political regimes, particularly after 1957, have accelerated growth and improved living standards (Ntetha, 2021). Ghana began to decentralise government functions in the 1980s (ILO, 2011). Ntetha (2021:24) argues that rural and local development are part of LED initiatives because they recognise and assign responsibility for local growth to municipalities. For example, the Local Government Act No. 54 of 1961 recognised local governments' service delivery and infrastructure development obligations. Furthermore, regional planning committees were established under the National Liberation Council, becoming a centrepiece of LED efforts. Moreover, the National Board for Small Scale Industries was established in 1981 as a policymaker and advisor, monitor and coordinator, programme implementer, and registry for all small businesses to enhance LED (Mensah, Bawole, Ahenkan, 2017).

LED in Ghana is considered as a bottom-up approach that primarily concerns itself with socio-economic development and poverty alleviation (Ntetha, 2021). It has been implemented in district municipalities, assuming a central role in revitalising the local economy and creating jobs (Akudugu, 2018). In turn, the district may have restricted tax-raising powers, enabling it to raise funds through municipal taxes and service fees (ILO, 2011). However, the effects of

decentralisation have continued to remain limited in practice, due to a lack of capacity and resources. In response, Ghana's government developed a Decentralisation Policy Framework to hasten the speed of decentralisation (ILO, 2011). LED surfaced as a suitable strategy for addressing the factors confronting local economies in this setting, based on participatory public-private partnerships. This includes ensuring that the disadvantaged in communities benefit economically as well.

Individuals and small and medium-sized businesses dominate Ghana's local economic activity. Unfortunately, structural changes implemented in the 1980s resulted in massive reductions. As a result, people engaged in survival and individual economic business activities (Oduro-Ofori, 2011). To that end, the informal sector thrives and contributes significantly to LED. Thus, as part of the LED strategy, the Ghanaian government launched "Ghana-Vision 2020" as a development model to form a sustainable financial system and to apply structural transformations to promote five main themes. These themes include human development, economic growth, rural and urban development, and an enabling environment. Other policy frameworks such as Ghana's Poverty Reduction Strategy I (2002-2004), the Growth and Poverty Reduction Strategy II (2006-2009), and the Ghana Shared Growth and Development Agenda all indicate ensuring that economic development occurs locally.

2.5 LOCAL ECONOMIC DEVELOPMENT IN SOUTH AFRICA

Local economic development activities are advised by South Africa (Rogerson, 2014). LED has been essential in re-engineering the country's local government (Thornhill, 2008). Rogerson (2008) explains that in post-democracy South Africa, LED in South Africa has moved away from being a stand-alone local government intervention constrained in what was considered as economic hubs of South Africa. LED is now a mandatory obligation for the local government in the national Constitution.

LED practice is concerned with ensuring that local resources and economic opportunities are distributed equally (Department of Provincial and Local Government (DPLG) 2003:1). As part of this process, municipalities must develop inclusive and sustainable local economies (DPLG, 2003:1). According to Moyo (2007:221), LED practice in South Africa is informed by the government's need to reduce stagnant poverty and unemployment rates and the misconception of "trickle-down" in market-driven economies. Other reasons include the inability of macro-level systems to deliver micro-level development in communities; a lack of municipal capacity (human resource skills, business skills and management systems; poor

financial management, as well as the politicisation of action); and inadequate private-sector investment in local economies.

2.5.1 Legislative Framework of LED

In South Africa, several policies and legislation shape LED practice. The first significant legislation is the Constitution Act No. 108 of 1996. The Constitution solidified the local government's role in developmental efforts aligned with local government constitutional objectives. In particular, the Constitution "obliges municipalities to structure and manage their administration, budgeting, and planning processes to prioritise the community's basic needs; promote the community's social and economic development; and participate in national and provincial development programmes" (Republic of South Africa (RSA), 1996:77). As a result, LED implementation is not an option or a choice for municipalities; it is a requirement. The second policy was the 1998 White Paper on Local Government. According to the White Paper, developmental local government denotes local governments' commitment to collaborative governance. This includes collaborating with the local community to ensure appropriate and sustainable mechanisms to meet people's social, political, and economic needs, thereby improving their livelihoods (DPLG, 1998).

The Municipal Systems Act (MSA) (No. 32 of 2000) emphasises the government's commitment to LED. According to the Act, municipalities are economic development catalysts because they serve the poor and marginalised in their respective communities (RSA, 2000). To that end, the Systems Act mandated Integrated Development Planning (IDP), a critical component of which LED constitutes an essential component (Harrison, 2001). Van Rooyen (2013:61) defines an IDP as "a local development planning tool used by municipalities to identify and implement an inclusive long-term plan that will advance development and services." The IDP evolves into a type of planning or strategy that promotes linkages and coordination amongst all sectors of a municipality. However, the IDPs are said to have failed to meet the country's developmental goals in a variety of ways, including a lack of community participation in planning and implementation; and ineffective inter-departmental cooperation, including a lack of horizontal integration between the spheres and other organs of state, which overshadows any local development planning, resulting in poor service delivery (Madzivhandila and Asha, 2012:372).

The Systems Act further charges the Department of Cooperative Governance and Traditional Affairs (CoGTA) to ensure all municipalities can promote LED. According to municipal administrations and LED, the Systems Act prohibits non-beneficial strategies, particularly those limiting public consultation and participation (Lairi, 2016).

In 2000, the government adopted the LED Guidelines, which were the first to deal with LEDs and directly commit municipalities to LED implementation. The Guidelines presented a vision statement on the LED. They highlighted the need to promote economic growth and alleviate poverty (Hindson and Vicente-Hindson, 2005:2). After the Guidelines, the LED Policy 2001 focused on the poor. The Draft LED Policy (2002) pushed for pro-poor approaches and expressed the need to reduce poverty and inequality in the country (Nel, 2005b:17). The policy proposes three goals for achieving the pro-poor stance of LED: "establish job-creation economic growth; embark on sustainable rural development and urban renewal; and finally, bring the poor and marginalised to the centre of development efforts." These objectives, however, will necessitate local governments being innovative, creative, and redistributive in LED.

Another important initiative is the 2005 Policy Guidelines for Implementing Local Economic Development in South Africa. The Guidelines identified LED's primary goals of economic growth and poverty reduction (DPLG, 2006). The LED framework, Stimulating and Development of Sustainable Local Economies, is notable, which the DPLG released in 2006 (DPLG, 2006). The framework outlines municipalities' roles in ensuring their communities are business and investment friendly by providing adequate infrastructure and essential services rather than simply developing plans and creating jobs (Meyer, 2014).

Finally, the South African National Framework for Local Economic Development attempts to build an understanding amongst stakeholders to implement LED (Rogerson, 2011:162). According to the Framework, new institutionalism evolved alongside economic and social theory, laying the foundation for LED implementation in South Africa. Furthermore, new institutionalism seeks to reduce the gap between the economy and society through a standard set of norms, beliefs, and meanings and the rules and procedures for formal and informal institutions that influence decision-making and action (Rogerson, 2011:347). Furthermore, "the strategy commands policy maturity in LED South Africa planning and provides a foundation for integration in LED activities and planning" (Rogerson, 2008:308). The document advocates for a vibrant and inclusive local economy, humanising local opportunities and competitive advantages while meeting community needs and ultimately achieving national development goals (DPLG, 2006).

2.6 LOCAL ECONOMIC DEVELOPMENT PRACTICE IN SOUTH AFRICA

In South Africa, LED began to be practised in Stutterheim, a small town in the Eastern Cape (Nel, 1994). In many aspects, however, LED practice in South Africa's major cities borrowed

much of its evolution from the experiences of North America and Western Europe (Rogerson and Rogerson, 2010a:472). According to Rogerson (2000), Johannesburg, Durban, Pretoria, and Cape Town are ahead in LED implementation. Today, these cities are the centres of manufacturing and consumption and are a reference for evidence-based LED and provide information on how to process global economic activities (Rogerson, 2000).

In recent years, the search for competitiveness has been closely wedded to a drive for world-city status, particularly in Johannesburg and Cape Town (Rogerson, 2005). Furthermore, inclusive growth was pursued through the placement of pro-poor approaches. These approaches included private sector management principles to support city agricultural activities, attract and improve supply chain systems, and develop SMMEs (Rogerson, 2004). However, successful LED programmes have yet to be discovered in most small towns and rural areas. Small cities and rural areas are vulnerable to implementing LED because of indirect land reform processes, inefficient local economies, a lack of government capacity to support SMMEs, and a lack of coordination and participation with regional economic potential (Binns and Nel, 1999; Nel and Rogerson, 2007).

The local government is devoted to implementing new destinations and promoting tourism to restore the urban economy and enhance LED (Rogerson and Visser, 2007). Tourism is used to attract tourists to metropolitan cities, expand shopping centres and cross-border trading (Rogerson and Visser, 2007). The latter is considered to have the potential to regenerate economically depressed localities (Abrahams, 2007). Telfer (2002) asserted that tourism has the potential to produce favourable economic conditions and new external sources of income into the local economy.

2.6.1 Challenges of LED in South Africa

South Africa has yet to succeed with LED implementation, undermining the credibility and significance of LED (Rogerson and Rogerson, 2010b). According to Kamara (2017:101), the problem stems from opposing policy paradigms at the DPLG and the Department of Trade and Industry (DTI). For example, the DPLG's pro-poor agenda seeks to influence the allocative process to increase infrastructure and business investment. In contrast, the DTI's primary goal is to make capital to boost economic growth (Kamara, 2017:102). This tension distinguishes most policy papers between the two paradigms (Patterson 2008:4).

According to Hofisi, Mbeba, Maredza, and Choga (2013:593), the definition of LED needs to be more explicit, developed, and better understood by many local governments, undermining municipalities' ability to implement LED strategies. As a result, it needs to be clarified for local governments about LED tools that can be used for poverty reduction rather than as a strategy

for achieving sustainable development (Moyo, 2007). According to Moyo (2007), the focus tends to ignore markets and the informal economy in favour of traditional markets in localities and their ability to create job and income opportunities.

Municipalities in South Africa, inadvertently, have yet to fully assert themselves with the concept of developmental local government (Masemurule, 2008:440). Local authorities must help implement LEDs independently (Meyer-Stamer, 2003). In contrast, it is exacerbated by inadequate funding for LED mandates and poor planning and coordination setups. According to Moyo (2007), the local government must be adequately prepared to assume development responsibilities. As a result, municipalities have sought Section 21 companies to perform LED work, which has resulted in coordination issues due to competing interests, resources, and objectives.

Other reasons include ineffective monitoring and evaluation systems. For example, due to a lack of built-in monitoring and evaluation mechanisms, it isn't easy to assess the impact of LEDs. Furthermore, a lack of skills for accelerated service delivery has only resulted in apparent capacity gaps, affecting the ability to fulfil the constitutional mandate. Protests over service delivery in townships have emerged as a new contributing actor. Within the international trend of decentralisation of government functions, the local government is responsible for shaping and regulating the environment for the informal economy, which is now an important site of analysis (Lund and Skinner, 2004: 431).

2.7 CHAPTER SUMMARY

Local economic development is a regional government strategy that requires collaboration with stakeholders, including not-for-profit organisations, businesses, and community members. The association of these stakeholders is essential to ensure that local economic growth, job creation, the eradication of poverty, and inequalities are reduced and limited. However, Rodriguez-Pose and Palvicini-Corona (2013) point out that there needs to be more evidence on whether LED strategies improve economic development. However, in the case of South Africa, legislation and policy frameworks on local economic development seem to be old (ageing from 1996 to 2005). This has created a problem in which policy fails to address the current challenges faced in local economies and how municipalities must respond to those challenges. In addition, the practice of LED in South Africa is fragmented and one-sided; in that sense, it is focused on ensuring that urban areas remain attractive to business, foreign investment, and tourism. However, this has left out small and rural areas where local economic

development is lacking, leading to the rural-urban migration of people to other municipalities in search of livelihood opportunities.

This chapter reviewed the literature on LED. The focus was on the practice of LED from an international perspective, including at the regional level, specifically focusing on the sub-Saharan Africa region. Furthermore, the chapter discussed the reasoning behind LEDs in South Africa, the legislation governing LEDs, and implementation challenges. The next chapter reviews literature on the informal economy.

As pointed out by David, Ulrich, Zelezeck, and Majoe (2013), the potential role of the informal economy in regional economic development has been recognised by local and national governments. This is because the informal economy provides room for generating new jobs and income opportunities (David et al., 2013). In the context of Ghana, for example, local economic activity stems largely from small informal enterprises (ILO, 2007). David et al. (2013) argued that most municipalities must provide LED-friendly, more developed, inclusive, informal economy policies and by-laws. Similarly, Hobson (2011) claims that the positive outcomes of LED (poverty reduction, economic growth, and job creation) are likely to be achieved if the potential and needs of the informal sector are adequately addressed. Based on the situation described above, it becomes clear that municipalities need to think systematically and strategically about their LED practice.

CHAPTER 3: INFORMAL ECONOMY

3.1 INTRODUCTION

This chapter will be an extension of the preceding chapter. Here, the literature on the informal economy is reviewed. This is because the importance of the economy in society must be noticed (Meagher, 2013; Chen, 2014). The chapter discusses the four theoretical frameworks for the informal economy. This will provide a foundation upon which the informal economy will be investigated at a global and regional level. After that, the factors contributing to the growth of the informal economy are provided. Finally, South Africa's informal economy is viewed, including the policies governing the economy.

3.2 THE INFORMAL ECONOMY

The informal economy was first discovered in the seventies and used in 1973 by Keith Hart, a British anthropologist. Hart used the term to describe people's work activities in Ghana's urban areas, particularly the livelihood activities of people with low incomes (Bromley, 1990). His contribution mainly demonstrated that informal economic activities were not as passive as "unemployment and underdevelopment" when it came to the needed growth and incomes for the urban poor (Hart, 1973:61). This contrasts with the thought that the economy will phase out once growth is achieved. However, Hart's findings from his work in Ghana differed from the dominant theory of economic development (the modernisation theory) (Clement, 2015). Hart's work was later followed by an International Labour Organisation (ILO) (1972) study conducted in Kenya, which contributed to the widespread use of the term "informal sector". Like Hart, the ILO concluded that along with formal and regulated economic activities are the informal sector activities, which will not disappear even with economic growth (ILO, 1972).

3.3 THE INFORMAL ECONOMY DEFINED

The nature and diversity of informal activities imply that the concept may have different meanings for different economic agents (Benjamin and Mbaye, 2012). According to Godfrey (2011:270), informal arrangements depend on how the image is defined and it may be the dominant model of economic organisation. The difference between the informal sector, informal employment, and the informal economy must be understood (Vanek, Chen, Carre,

Heintz, and Hussmans, 2014). The informal sector refers to unincorporated enterprises that produce goods or services to provide employment and income to those who work in them (ILO, 2018b: 7). This definition, however, excludes domestic labour and subsistence agriculture because they are not sold to markets and are instead done and grown for personal consumption (Cousins, 2018). Notably, the ILO definition of the informal sector is similar to that promoted by Statistics South Africa, which views the informal sector as a component of the economy comprised of unregistered businesses conducted at public residences and on street pavements (Petersen, James, Charman, Mackay, Court, and Muteti, 2016:18).

In contrast to the concept of the informal sector, employment is considered informal when the relationship between the employer and employee is not subject to any law or practice, national labour legislation, taxation on incomes earned when there is no social protection, or any employment benefits (severance pay packages, paid sick leave, etc.) (ILO, 2018b). The "informal economy" refers to all units, activities, and workers so defined and their output (Vanek et al., 2014:2). All economic activities in the informal economy, including those working in it, are not subjected to state regulations or practice. They are not subject to formal agreements (Fourie, 2018:11). In this study. However, "informal economy" and "informal sector" will be interchangeable.

Informal-sector activities include domestic work and private home services; home-based workers; street trading; waste pickers; construction; and transportation. In domestic work, housekeeping, washing and ironing laundry, grocery shopping and cooking, and looking after kids, the elderly, and sometimes disabled family members are all part of the job. In addition, they offer gardening, driving, and security services. Home-based workers, whether self-employed or paid, are another informal sector activity in which work is performed at home or on nearby premises (ILO, 2002:44). Street vending is another everyday occupation in which goods or services are sold in open private or public spaces, such as taxi ranks or construction sites. Another type of waste collection is waste picking, which entails collecting household or industrial waste from waste bins or dumpsters along streets, or coastal waters, and recycling plants. The waste collected can either be recycled or thrown away. Labour-only subcontractors work in the construction industry and do not require special skills or qualifications (Goldman, 2003). Taxi drivers are the most common informal workers in the transportation industry. Four theoretical frameworks are employed to comprehend the nature and structure of the informal economy.

From the definitions above, the study defines the informal economy as the segment of the economy that comprises businesses that require less capital formation and education and skills requirements. These businesses are operated from home yards, sidewalks, and other

impromptu locations. Furthermore, the informal economy is a source of employment (wage workers), offering minimum labour regulation and no social protection. However, defining the informal economy depends on the school of thought that one is working from.

3.4 PREVAILING FRAMEWORKS

Chen (2012) distinguishes four fundamental theoretical approaches to the informal economy and the reasons for its existence: they are the dualist, structuralist, legalist, and voluntarist approaches. Each of them will be considered in turn.

3.4.1 *Dualist Approach*

According to the dualist perspective, the informal economy is an independent component of the broader economy (Chen, 2012:5). According to Haarman, Larsen, and Namatovu (2022), formal and informal enterprises serve different markets and customers from the dualist perspective. Dualists believe that the informal economy is a consequence of population growth and modern industrial development (Monyebodi, 2021:7) and that people only use it during economic downturns. The economy does not feature in national government economic development planning (Brown and McGranahan, 2016). Potts (2008) claims that analysis frequently focuses on formal microenterprises and self-employment rather than the relationship between informality, legal enterprises, and government regulations. As a result, the government ignores the shifting interactions between the informal and formal economies, in which the other sectors dominate and create. Sadly, this has persisted despite calls for the government to provide financial and business assistance, adequate infrastructure, and social services (Chen, 2012).

3.4.2 *Structuralist Perspective*

Based on neo-Marxist and dependency theories, the structuralist theory sees informality as a by-product of capital restructuring rather than a result of the government's inability to create jobs in the formal sector (Meagher, 2013). The structuralists view informal economic activities as subordinated monetary units (micro-enterprises), aiming to reduce input and labour costs while increasing the competitiveness of more giant capitalist corporations (Chen, Vanek, and Carr, 2004). Becker (2004) holds that capitalists seek to subordinate trivial producers and traders by reducing costs. Following Becker's argument, Nattrass (1984) criticises formal and informal economic relationships as one-sided, mainly because the relationship benefits the former instead of being one of symmetrical mutual benefit. This unhealthy relationship has

resulted in formal workers helping the informal sector mainly by supplementing their incomes with informal economic activity. This enables the wealthier segments of the economy to maintain and improve their socioeconomic well-being by taking advantage of the "cheap" goods and services offered by the informal sector.

3.4.3 *Legalist perspective*

The legalists are concerned about excessive bureaucracy. They believe that the informal sector comprised "lucky" micro-enterprises that prefer to work informally to avoid the formal sector's cost, time, and registration requirements (Sarreal, 2019: 134). Dell'Anno (2021:34) emphasises that costs and registration are frequently viewed as impediments to the growth of small and medium-sized businesses. As a result, informality is neither a sign of poverty nor a requirement of late capitalism. Instead, it is a choice to avoid a legal environment that stifles business activity (Bonnet and Venkatesh, 2016).

3.4.4 *Voluntarist Perspective*

The voluntarist viewpoint is founded on Maloney's (2004) examination of informality in Latin American countries. The voluntarist is interested in rational and institutional decisions to avoid regulations and taxes. On the one hand, this school agrees with legalists that people in the informal sector do not follow commercial rules, do not pay rent and other services (such as water and electricity), and do not incur additional costs that are necessary when operating formally (Marinescu and Valimáreanu, 2019). However, on the other hand, they regard formal registration as a time-consuming process for risky businesses. As a result, the cost-benefit analysis influences people's decisions to work informally (as an employee or employer). The voluntarist school of thought advocates regulating informal businesses to broaden the tax base and thus reduce unfair competition (Chen, 2012).

This study leans towards the dualistic school of thought, which is more relevant to South Africa's socioeconomic situation. According to Kanbur (2015), frustration with the pace of modernisation explains the tenacity of poverty and unemployment, as well as low economic participation, resulting in the emergence of a dual scenario in regions of the world. In the case of South Africa, the informal economy has is growing amid South Africa's unemployment and poverty problems. Inadvertently, the informal economy is perceived as a reserve army or reservoir wherein the formal economy draws labour (Blaauw, 2015). Furthermore, as the COVID-19 pandemic spread, it provided the means through which people supplemented their incomes or constructed and sustained livelihoods. As such, the economy is considered a safety net during economic downturns. According to Mehrotra and Biggeri (2007:3-4), this oversight has resulted in inappropriate analyses and policies regarding the informal economy.

Thus, the dualistic school will be investigated to determine whether it can be applied within the broader informal economy and evaluate its role in the area under investigation.

3.5 THE SIZE AND NATURE OF THE INFORMAL ECONOMY

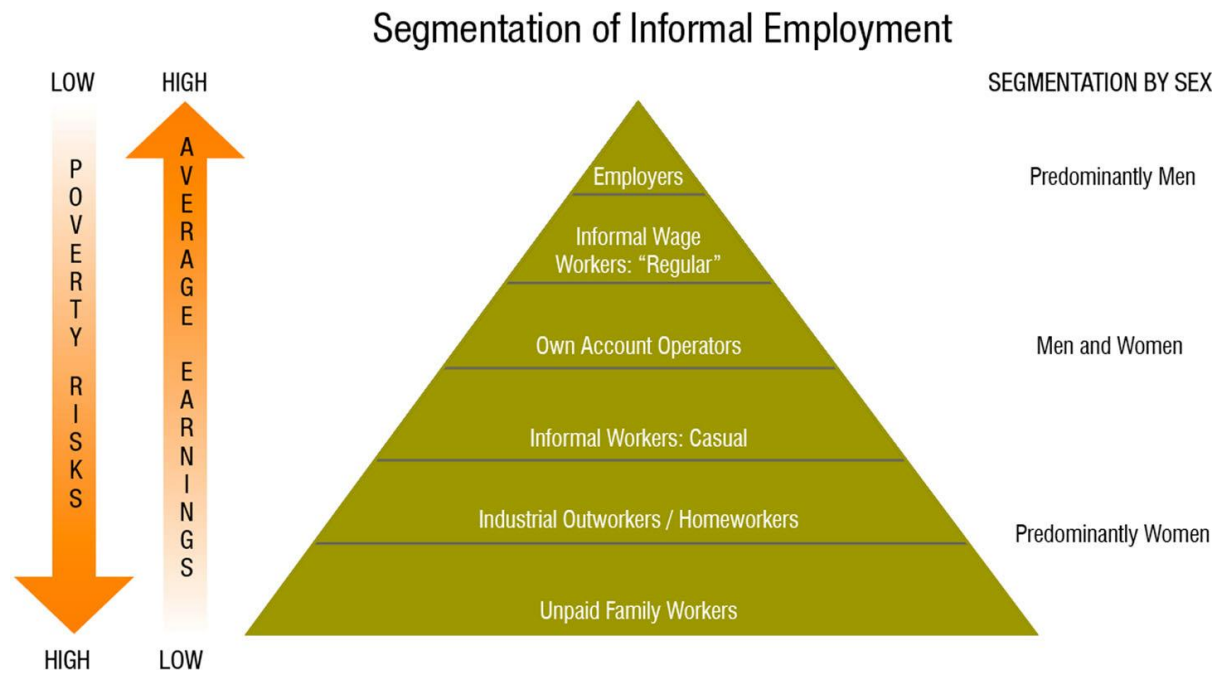
Measuring the size of the informal economy is frequently regarded as problematic because activities are not legally or formally recorded (Fredström and Wincent, 2021). This situation is exacerbated by the phenomenon's enormous diversity and variations in size within and across economies and regions (Mupamhadzi, 2019:36). According to the ILO (2018c), sub-Saharan Africa accounts for 92% of informal employment, followed by Southern Asia (88%), and East and Southern-Eastern Africa (77%). Eastern Europe and Central Asia have the lowest percentage of informal employment at 37% (ILO, 2018a). Khambule (2020:94) asserted "that the differences in the size of the informal economy are mainly due to the strong performance of East Asian countries such as South Korea, Singapore, Taiwan, and Indonesia". Notably, in the sub-Saharan region, informal activity is dominant in rural areas (ILO, 2018b). The people living in these areas use the sector as a livelihood strategy.

People from various educational and family backgrounds work in the informal sector (Musiolek, 2002:19). The author further argues that the informal economy generates income at all levels, from low-wage to high-wage. According to Mofokeng (2005), most people engage in informal survivalist enterprises because they have lost their jobs in the formal economy or have not had the opportunity to find work in the formal sector. As a result, people engage in a wide range of informal sector activities, including casual day agriculture and construction, street vendors, domestic workers, security guards, temporary office helpers, and industrial outworks that operate from their homes (Chen *et al.*, 2004:15). Mofokeng (2005) further adds wood carvers, plumbers, electricians, hairdressers, tailors, furniture makers, mechanics, and drivers as other informal sector activities people engage in. According to the ILO (2002), work in the informal sector is distinguished by "ease of entry, reliance on indigenous and family resources, small-scale operations, labour-intensive and adaptable technology, and skills acquired from the unregulated formal sector and competitive markets".

Importantly, gender inequality is pervasive in all sectors of the informal economy. Chen (2017) identifies three disadvantages that affect women's participation in the urban informal economy. First, gendered and social practices affect women. Dias and Ogando (2015) agree that women face various challenges, including having low or no formal education and training, lacking human capital, inadequate domestic responsibility, and patriarchal practices deeply rooted in the social fabric. Second, women work in low-wage jobs without social, economic, or labour

protection. Finally, women come in third place as marginalised members and need more access to services and the necessary infrastructure. As illustrated in Figure 1, these factors are represented on a scale ranging from low to high earnings.

Figure2: Continuum of informal economic actors and activities



Source: Chen, Vanek, Lund, Heintz, Jhabvala, and Bonner (2005)

Employers remain at the top of the pyramid and earn more than their subordinates, thus facing the lowest risk of poverty. Men are more likely to be found in high-earning segments of the informal economy than women, while women are more likely in low-earning segments. Furthermore, there are concerns about the informal economy's role in the economy. Mróz (2015), for example, writes about the informal economy as "the Beauty and the Beast," arguing that it can positively or negatively impact on the economy. On the negative side, the informal economy is associated with informal enterprise owners' and employees' inability to pay income tax, corporate tax, and other related taxes. Regrettably, the government collects taxes and spends them to provide public services and build public infrastructure to stimulate economic activity. Another negative aspect is unfair competition against formalised businesses (Mróz, 2015). According to Khambule (2020:5), limiting competition between informal and formal enterprises will necessitate the government to consider the benefits of informal activity in business centres, thereby allocating specific areas in the CBD for those activities. On the other hand, positive factors include job creation, income generation, and increased production and consumer demand (Mróz, 2015; Burger and Fourie, 2019).

3.5.1 The link Between the Formal and Informal Economy

According to Fourie (2018:29), the informal sector does not operate independently. This is because the supply and demand for goods and services in the informal and formal economies interact. According to Chen (2012), traditional firms' source and supply goods and services in the manufacturing sector via various value chains interconnected with labour, production, and distribution of other commodities or products. According to Portes and Haller (2005:407), the informal economy is recognised as an innovative sector, that are flexible to change. The interaction between the formal and informal sector in Italy enables businesses to meet changing consumer preferences and increased demands of products sold or services offered (Webb, McQuaid, and Rand, 2020).

Furthermore, a study of home-based workers in India, Bangkok, and Lahore discovered that more than one-quarter of those surveyed supplied goods to a formal business (Chen, 2014). Similarly, Petersen et al. (2016) researched informal metalwork enterprises in Cape Town. According to the authors, raw materials and finished steel products are purchased from the formal economy. This is due to the informal economy's need for steel melting operations, which prevents it from producing extensive or specialised metal products.

However, in the case of South Africa, government policy needs to establish these connections between the formal and informal sectors. Furthermore, policies are frequently biased, and productivity-boosting investments are directed solely to the formal economy, with no exceptions for the informal economy. As Philip (2018) argued, economic concentration in the formal sector is a structural barrier to the informal sector. It overshadows efforts to overcome supply-side constraints such as a lack of funds or skills. Skinner (2018) concludes that identifying the formal sector dynamics that shape opportunities available in the informal sector and how policy should be extended will be necessary. This is necessary because the informal economy's growth cannot be romanticised. From this premise, it can be argued that although the informal economy continues to grow without the intervention and support of the local government, it has played a significant role in uplifting the lives of millions of people. However, economic policy, particularly in South Africa, remains one-sided. In that, government intervention and support are provided to the formal economy while the informal economy remains sidelined. In the case of locations or townships, land-use guidelines, construction criteria and relations, and municipal bylaws deflect endorsement and sideline informal businesses.

3.6 FACTORS INFLUENCING GROWTH IN THE INFORMAL SECTOR

The informal economy's expansion is associated with economic, socio-demographic, governance, business, and technological advances (Mago, 2018:41). The economy is reported to include factors such as the recession of the national or global economy, globalisation, tax burdens, a lack of or slow growth, and eased entry to the informal sectors. The socio-economic factors include high unemployment and poverty, a lack of formal educational qualifications and training, urbanisation, and migration. Governance is linked to the policy, and regulatory regimes of the informal economy, which are mostly referred to as being unfavourable to the lived reality of the grassroots citizens (Association of Certified Chartered Accountants (ACCA), 2017). Science and technological advances include internet connectivity, which is perceived to lead to the growth of shadow economies (ACCA, 2017).

The factors mentioned above are dynamic and operate in a nexus, from the individual through the household, from national to sub-national levels (provincial and local). These factors produce the cause-and-effect through which the informal economy can be viewed and understood. However, the study selected six facts that constitute the main drivers of the informal economy on a global scale. These factors include poverty and exclusion; globalisation, urbanisation, and organisation; easy access to goods or services; and inadequate formal education and training.

The factors mentioned above are dynamic and operate in a nexus, from the individual through the household, from national to sub-national levels (provincial and local). These factors produce the cause-and-effect through which the informal economy can be viewed and understood. However, the study selected six facts that constitute the main drivers of the informal economy on a global scale. These factors include poverty and exclusion; globalisation, urbanisation, and organisation; easy access to goods or services; and inadequate formal education and training.

3.6.1 Poverty and Exclusion

Poverty is pervasive in developed and developing economies, as well as in economies in transition. In developed economies, on the other hand, poverty habitually takes the form of relative poverty. The ILO (2020:1) described "relative poverty as a situation where people cannot afford to take part in society and benefit from the activities and experiences that people are granted. It is 40, 50, or 60% of the national median disposable income". Although participation in the informal economy is sometimes voluntary, poverty is a significant contributing factor. Crush, Chikanda, and Skinner (2015) argued that people often use the

informal economy to sustain themselves and make a living. Fields (2005) holds that the two-tier view of the informal economy is associated with the idea that people experiencing poverty are not afforded the privilege of having alternatives. Therefore, turning to the informal economy is the only choice they have.

For Bromley and Wilson (2018:1), marginalisation, particularly for women, the youth, and the poor, suggests that exclusion is more important than exit. This argument is backed by evidence from Latin American countries, where the most deficient 10% of the population amounted to 72.5% of the informal workforce in 2013 (FORLAC, 2015:7). Furthermore, nine out of ten workers in rural and urban areas are employed in the informal economy (ILO, 2009). Similarly, in South Africa's informal economy, Rogan and Reynolds (2015) found that 37% of the working poor in the country are from the informal sector. FORLAC (2015:7) argues that informality, poverty, and exclusion exist at a nexus, generating a vicious cycle of intergenerational inequality and deprivation. This situation is claimed to be exacerbated by the process of globalisation.

3.6.2 Globalisation and the Growth of the Informal Economy

Globalisation comprises capital flows, new technologies, migration, and foreign direct investments (Bacchetta and Ernst, 2009). Davids and Maphunye (2009:92) hold that globalisation is blamed for increased poverty rates and low living standards. The authors argue that economic competition between and within countries has led to unequal development (Davids and Maphunye, 2009). Following this viewpoint, Held, McGrew, Goldblatt, and Perraton (2000), state that many Third World countries need to catch up in terms of growth. As a result, poverty, inequality, and underdevelopment have become entrenched. Those who are already poor are forced to participate in the informal economy to earn a living and sustain or maintain their standard of living. According to Standing (1999), the 1990s economic globalisation resulted in the deformalisation of the informal sector. In this regard, globalisation failed to meet financial expectations by ensuring the creation of jobs and new markets (Fourie, 2018). Instead, informal employment has expanded globally or appeared in new and unexpected forms and locations (Fourie, 2018).

As described above, this scenario reflects the interdependence of places and economies (Mago, 2018). Because parts of the city in an area are closely connected, economic, political, social, and environmental problems affect cities worldwide (ILO, 2016). Following this line of thought, Bacchetta and Ernst (2009) emphasise the fluidity and integration of countries brought about by globalisation. The authors show how economic shocks in one country can be transmitted to others, directly influencing the rate at which people are forced to engage in survivalist or informal sector activities (Bacchetta and Ernst, 2009). Examples include the

COVID-19 pandemic, which began in November 2019 in Hubei province, Wuhan, China but has since spread worldwide (Su, Dai, Ullah, and Andlib, 2021). Another example is political and economic turmoil in one country, which may result in more people fleeing to more "politically" stable countries (ILO, 2016). Many of these immigrants are employed in the informal sector.

3.6.3 Increased Urbanisation and Migration

The unprecedented population growth in urban areas (large cities) as people migrate from rural to urban areas or from one country to another is essential for informalisation. Several driving factors have exacerbated the rate people move from their origins. These include economic suffering; prolonged poverty (Becker, 2004); a lack of job and business opportunities; and inadequate social protection (ILO, 2016), political instability, geopolitical tensions, conflict, and a lack of infrastructure (ILO, 2016). Kaczan and Orgill-Meyer (2020) add another factor to the discussion and point to the environmental migration of people from rural areas due to the risk of changing climate patterns. This perspective is supported by Ringuad, De Sherbinnin, Jones, Bergmann, Clement, Ober, et al. (2018). They estimate that by 2050, 2.5% of the population, or 143 million people from sub-Saharan Africa, South Asia, and Latin America, will be forced to move within their own countries. Other studies (Myers, 2002) estimate that environmental migration flows range from 10 to 30 million people annually. Based on the above-mentioned information, the United Nations has estimated that by 2030, urban areas will be home to 80% of the population. As such, Walmsley and Botten (1994) suggest that the perception that cities must adjust to and accommodate an arriving population has become a problem. Instead, this has increased the rate of informal settlements and the expansion of the informal economy. For instance, Haung, Haung, Lin, Cham, Gao, and Cui (2017) maintain that large-scale construction activities primarily characterise urbanisation in China to accommodate the urban population. However, urbanisation does not match economic efficiency in countries such as South Africa, and growth is primarily associated with a lack of infrastructure development and industrialisation (Turok and McGranahan, 2013). As a result, the arriving population enters the informal sector to earn an income and sustain a livelihood. The above-mentioned situation is supported by Coulibaly, Gandhi, and Mbaye (2019:3), who state that population growth due to rapid urbanisation has outpaced job creation and economic opportunities. As a result, rural-urban migration has increased. Hope and Lekorwe (1999) also hold that most of the arriving population in cities and towns find work in the informal economy.

3.6.4 Increasing Demand for Low Costs Goods and Services

This factor is based on supplying various cheap goods and services from the informal sector. Some goods sold in the informal economy, particularly by street vendors, include exported goods such as carpets and clothing and agricultural products such as beef, grain, tomatoes, and coffee (Narula, 2020:304). Street vendors sell these items in a way that is "most" suited to the customers' needs and at a reasonable price. According to Iriyama, Kishire, and Talukdar (2016), the informal sector has an advantage over formal economic activities because it can operate despite uncertainty and ambiguity. In most cases, formal enterprises must either close or lay off some employees to continue working and generating revenue. Township formal enterprises are usually geographically distant from central business areas.

3.6.5 Weak Education and Training and the Growth of the Informal Economy

According to Becker (2004:9), "inadequate education, training, and infrastructure, as well as structural reforms, contribute to the growth of the informal economy." In particular, the inability of educational and training institutions to provide industry-relevant skills has led to a poorly equipped workforce (Mago, 2018:48). Thus, the failure of formal industries to absorb these people has led to the growth of the informal sector due to its lack of requirements for skilled or educated people. This point is backed by findings from the ACCA report (2017), which prove that people who cannot afford expensive tertiary or university education are often subject to informal employment. Again, Blaauw (2003) surveyed car guards in Bloemfontein, Free State, South Africa, and discovered that most were low-skilled. Their inability to find formal employment was related to their low levels of education. Evidence from a study conducted by Magidi (2021) in Zimbabwe reaffirms the correlation between low educational attainment and participation in the informal economy. The author further argued that the informal sector registers everyone who is non-disabled and prepared to work and learn, irrespective of their education or socioeconomic background. From this viewpoint, researchers such as Peberdy (2000) argue that having no educational experience does not necessarily push people into the informal economy. Instead, some informal traders possess high levels of formal education, with some holding university degrees.

3.7 INFORMAL SECTOR IN SUB-SAHARAN AFRICA

The informal economy is associated with the pre-colonial era in the Global South and Africa (Magidi, 2021:3). During colonialism, governments in the Global South were encouraged to promote economic formalisation, growth, and modernisation (Sparks and Barnett, 2010).

Furthermore, Western economic philosophies assumed that the informal economy would eventually transition to formalisation and disappear (Ruzek, 2014). However, the informal economy has expanded and remained stable. Additionally, though productivity has increased in SSA economies, much of the increase has come from the informal sector (McMillan and Harttgen, 2014).

The African Development Bank (2018) estimates that the informal economy employs 60–80% of sub-Saharan Africans and generates 90% of new job opportunities. However, the composition of the informal economy varies by country. For instance, Mali, Mozambique, and India have the highest rates (90%), whereas Kenya has eight out of ten self-employed workers (Ohnsorge and Yu, 2022). Over 2.5 million people in South Africa are employed in the informal sector, constituting 20% of the country's workforce (Masuku and Nzweni, 2021). Notably, Botswana (144%) and Mauritius (11.9%) are the two countries that have the lowest share compared to that South Africa (Grabrucker, Grimm, and Roubaud, 2018:52). However, based on these statistics, the informal sector has been afforded the status of a primary economy and an engine for social development, job creation, and economic growth (Ruzek, 2014).

The informal trading of agricultural products, manufactured goods (such as processed food, clothing, and electronics), and services (such as car or bicycle repairs and artisanal work) are just a few examples of informal activities in SSA (Chen and Carré, 2020). Based on the nature and size of informal sector activities in SSA, Schneider, Buehn, and Montenegro (2010) point out how the informal economy is persistent in poor and developing countries compared to developed countries. Fraser, Moonga, and Wilkes (2014) add that the informal economy supplies basic food requirements. With these insights, the informal economy has assumed an essential role in urbanisation and economic growth in global southern cities. However, the informalisation of the economy is expected to last for decades, particularly in countries with modest economic growth. On the one hand, however, countries with high informal-sector employment and low employment may experience a decrease in the informal economy as a result of the formalisation of work (Grabrucker et al. 2018:63). On the other hand, the informal economy will expand parallel to the high unemployment rates experienced in countries such as Botswana and South Africa (Grabrucker et al. 2018:63).

3.8 THE INFORMAL ECONOMY IN SOUTH AFRICA

South Africa's informal economy is insignificant compared to other developing economies such as Mozambique, Mali, and Kenya (Rogan and Skinner, 2018; Mahajan, 2014). Kingdom and Knight (2001) argued that most unemployed people prefer not to work in informal-sector jobs because of low incomes. Therefore, they would rather wait for high-paying formal sector

employment. For Mahajan (2014), the miniature representation of South Africa's informal economy is due to apartheid policy and planning, which restricted entrepreneurship to specific trades. Indeed, the Apartheid government instituted a racially hierarchical system of access to economic activity and opportunities (Lund and Skinner, 2004:433). Grabucker et al. (2018) argued that unsupportive policies and legal environments for small informal-sector businesses impede informal-sector development in South Africa.

Nonetheless, evidence has shown that the growth of the urban informal economy is consistent with the development of the formal sector. For instance, ACCA (2017), as illustrated in Table 6, predicts that the size of South Africa's informal economy (as a percentage of GDP) will grow in lockstep with Nigeria and the rest of the world.

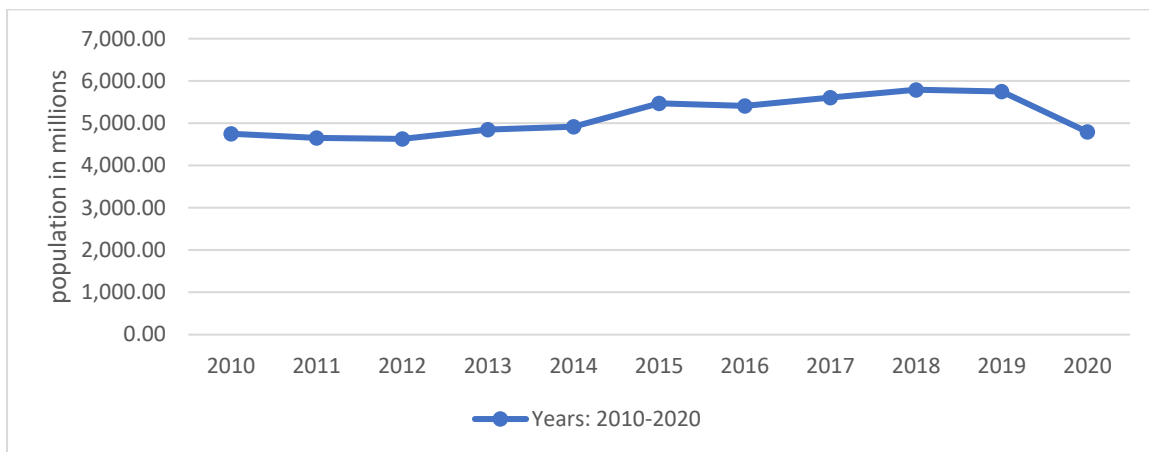
Table 6: The Size of the Informal Economies (per % GDP)

Year	2011	2016	2017	2020	2025	Average (2021-2025)
South Africa	23.49	21.29	29.33	23.71	24.19	23.59
Nigeria	20.73	48.37	47.70	46.99	46.11	47.93
Global	23.10	22.66	22.50	22.11	21.39	22.35

Source: Association of Chartered Certified Accountants (2017).

The table further shows that South Africa's GDP will increase by 23.59% in 2016, which is higher than the global average and will rise to 24.19% in 2025 (ACCA, 2017). Mosiane (2001:38) argues that "there is no valid reason why the informal economy in South Africa, with the potential to develop and flourish into larger, growing enterprises and build networks with the formal economic sector, should not contribute to employment creation, poverty alleviation, and national economic growth". Indeed, the number of people working in the informal economy has remained stagnantly high. The graph below demonstrates the number of people working informally in South Africa. As illustrated, between 2010 and 2020, the number of informally employed people increased from 4.74 million to 5.79 million, respectively (Galal, 2022). Furthermore, despite a significant drop in 2020 (4.79 million) (Galal, 2022), a recent World Bank publication argued that the COVID-19 pandemic induced a substantial increase in informal employment (Ohnsorge and Yu, 2022). Moreover, the informal economy contributes between 5 and 10% of the national gross domestic product (Statistics South Africa, 2014).

Figure 3: Total Informal Employment in South Africa 2010-2020



Source: Galal (2022).

Primarily linked to informality is poverty, defined by lower and upper-bound poverty lines of R501 and R779 per capita per month (Stats SA, 2014). According to these estimates, approximately 27 million (54%) South Africans live below the global poverty line (Stats SA, 2014). According to Petersen et al. (2016: 4), these statistics potentially confirm the idea provided in the National Development Plan that the informal economy in South Africa could act as an economic safety net for poor households.

The country's municipalities exhibit broad characteristics of informal employment. The wholesale, retail, and trade sectors account for 44% of these activities, followed by services (16%) and construction (16%). On the other hand, street trading is the most popular of all activities, accounting for 46% of total employment in Mangaung Metropolitan Municipality; Gauteng and eThekweni municipalities came in second and third, with 34 and 37%, respectively (Rogan and Skinner, 2018). Regarding employment status, a significant proportion of those working in the informal sector (1.4 million) is self-employed, while over one million are employees (Rogan and Skinner, 2018). In all the sectors, black South Africans have dominated the informal sector (89%), making up about 79% of non-agricultural employment (Rogan and Skinner, 2018). Recognising this, Heintz and Posel (2008) draw our attention to the inequality characteristic of South Africa's informal economy. Furthermore, Rogan and Skinner (2019) highlight that gender inequality is the most worrying of all inequalities, mainly because women account for most of the informal employment, earning less than men in the same segments of the informal economy. Orr and Mells (2014) posited that this situation persisted despite government claims of gender equality policies. What does this say?

3.9 POLICY ON THE INFORMAL ECONOMY

South Africa's Apartheid policy and planning legacy are blamed for the formation (and distortion) of South Africa's informal economy (Lund and Skinner, 2004). This is due, in part, to the state's support of the informal economy as a substitute for welfare provision during the 1980s. However, beginning in the 1980s, there was a push to compel local governments to take a more liberal approach to the informal economy. This culminated in the 1991 Business Act, which sought to limit local government's ability to develop and implement trade-restraining legislation. The Act marked a legal shift from a situation where traders could not trade to one where traders could trade freely, as well as the subsequent increase in the number of informal street traders operating in urban areas (Lund and Skinner, 2004). Local authorities raised their concerns, introducing the Business Amendment Act (No. 186 of 1993). The Act gave the provincial government the discretion to develop and pass legislation. In contrast, local governments formulated by-laws that regulated the operations of street traders and outlined restricted trading zones (Skinner, 2018).

However, as democratic South Africa approached the political transition, the government implemented policies that allowed the provincial government to develop and pass legislation. In contrast, local governments formulated by-laws that regulated the operations of street traders and outlined restricted trading zones (Skinner, 2018), address apartheid planning and regulatory injustices. The 1995 White Paper on Privatisation and Deregulation is one of many policies. The White Paper was the first policy document to acknowledge the existence of small and micro enterprises (SMMEs) owned by racial groups other than the white minority. However, the White Paper is silent on the interventions required by SMMEs (Devey, Skinner, and Valodia, 2003). Reference to micro and survivalist enterprises was made in the 1996 Provincial Growth and Development Strategy (PGDS). The strategy sets out the objectives and methods to support the informal economy. However, implementation is thus far lacking.

In 2004 the government enacted the National Small Business Amendment Act (No. 24 of 2004) to improve SMME support (Maye, 2014). The Act established the Small Enterprise Development Agency (SEDA) as part of the Department of Trade and Industry's efforts to merge entities formed to aid in the growth and sustainability of SMMEs. The Ntsika Enterprise Promotion Agency, the National Manufacturing Advisory Centre, and the Community Public-Private Partnership Programme were amongst these (National Credit Regulator, 2011). On the one hand, Ntsika offers small businesses various services, such as management and entrepreneurship programmes, technology transfer, market access, and business development. However, Ntsika's goals are unrelated to informal businesses (Devey et al., 2003:13). On the other hand, the Manufacturing Advisory Centre's activities were to provide

sector-specific advisory services to SMMEs operating in the manufacturing sector and to create a platform through which SMMEs could increase their productivity and improve their international competitiveness (Devey et al., 2003). This did not permeate the informal economy. Furthermore, according to Rogerson (2004:765), government post-apartheid SMME support programmes were biased and, to an extent, did not prioritise small informal businesses. Subsequently, Devey, Skinner, and Valodia (2008) discovered that the national skills development system needed more support for people working in the informal economy. Budlender, Skinner, and Valodia (2004) also investigated government fiscal allocations to the informal economy. They found that despite progress, governments' support measures were limited, irregular, disjointed, and failed to meet expectations. According to the Institute for Economic Justice (IEJ) (2018), this situation is exacerbated by the low priority given to the informal economy, and the allocated human and financial resources do not meet the needs of those working in the informal economy. Furthermore, despite the Small Enterprise Finance Agency (SEFA) being established in 2012 as part of the Department of Trade and Industry's mission to assist with SMME financing, the agency was unsuccessful (Skinner, 2019). Devey et al. (2003) attributed this to a failure to consider informal enterprises' challenges because their requirements only represent formal enterprises.

The South African Government's National Development Plan 2012 articulated the country's developmental goals. The goals enshrined in the NDP are poverty, unemployment, and inequality. Regarding job creation, the government intends to create 11 million new positions by the end of 2030 (National Planning Commission (NPC), 2012). The informal economy plays a vital role in the meeting, as it is estimated that 2.1 million people will work in the informal economy by 2030, accounting for 20% of total projected employment growth (NPC, 2012). However, the NDP does not mention how the informal economy can be helped to achieve this goal, primarily how those that exist in the informal sector will be supported or how barriers to entering the economy will be addressed so that the 2030 employment targets can be reached (Fourie, 2018:422). Valodia (2013) states that while the NDP recognises the informal economy, its structure does not change. Similarly, Fourie (2018:404) notes that though interventions for SMME promotion are proposed to include the informal sector, there are no plans to address the economic marginalisation of informal firm owners and employees. Moreover, the evidence does not support the NDP's assumption that the informal economy can provide relief in employment or income during economic crises (Rogan and Skinner, 2019).

The Department of Trade and Industry's (DTI) National Informal Business Upliftment Strategy (NIBUS) was the first nationally coordinated policy to advocate for the government to

recognise the importance of the informal economy, which had previously gone unnoticed in 2014 (Department of Small Business Development (DSBD) and ILO, 2016). According to the strategy, the government should establish "an enabling policy and regulatory environment, as well as a programming environment that will promote and support the transition of informal enterprises to the mainstream formal economy" (DSBD and ILO, 2016:3). The NIBUS and the accompanying 2016 Roadmap implementation spearheaded by the DSBD are both based on the notion that informal businesses will eventually be formalised (DTI, 2014:28). NIBUS further proposed a Business Licencing Bill in which all informal enterprises can be licensed. However, the bill is recognised as being impractical and demotivating informal entrepreneurship. In addition, the bill is discriminatory towards foreign migrants entering the informal economy (Rogerson, 2016; Crush, Chikanda, and Skinner, 2015). Recognising this, Tshuma and Jairi (2013) remind us of the bureaucratic procedures and prohibitive legal requirements that must be met by informal enterprises, making the transition to the formal economy difficult. According to Philip (2018), the problem stems from South Africa's illogically tiny economy. As a result, the government's primary focus is on formal economic processes.

Notably, NIBUS asserted widespread dissatisfaction within and across South African communities about foreign nations' establishment and operation of businesses (DTI, 2014:4). However, like the NDP, NIBUS says little about intervention in the five priority sectors beyond the standard cross-cutting support measures (trade and retail, manufacturing, services, construction and maintenance, and agriculture). According to Skinner (2006:428), the NIBUS has not been effective due to the conceptual flawlessness of the informal economy and informal business and confusion over whom the two concepts are intended for. This study concludes that the latter legislation and policy are instrumental in removing the barriers hindering the operation and the transition to formalisation of the informal economy. However, governments have sidelined the informal economy in economic analysis, projections, economic modeling, and policy decisions.

3.10 CHALLENGES IN THE INFORMAL SECTOR

Tambunan (2009:46) and Willemse (2011:8) identified four constraints in the informal economy, particularly by informal street traders. These include economic pressures, socio-cultural challenges, political instability, policy uncertainty, and operational challenges. Each will be discussed below and in turn.

The economic challenges include factors that discourage people from participating in the informal economy. Several studies (Mago, 2021:53; Akinboade, 2005:257; Skinner, 2006:130) discovered that people frequently needed more finance or capital to begin trading in the

informal economy. A person's unemployment can bring this situation about, a lack of income (and savings), or a combination of the two. According to Chilwalo (2015), these difficulties are exacerbated by limited access to financial institutions. Considering this, Masuku and Nzweni (2021:65), for example, discovered that small informal businesses in Duncan Village operate without financial assistance from banking institutions or government funding sectors. As a result, those aspiring to trade informally resort to friends and family or stokvels for a loan. Madichie and Nkamnebe (2010) identified sociocultural practices in Nigeria where men have complete control over household finances as a constraint for women. Willemse (2011) identified a lack of financial resources as a characteristic of informal traders operating in the CBDs of four South African cities. The report by the IEJ (2018) highlights that despite progress by the Department of Labour and Small Business Development, the informal economy is still accorded low priority with insufficient human and financial resources.

The second constraint involves socio-cultural factors affecting survivalist businesses, especially women owned. According to Akharuzzaman and Deguchi (2010:47), women experience gender discrimination and are often denied access to labour markets, resources, education, decision-making, social services, and networks (Companion, 2010:167). Moreover, street traders often fall victim to crime and violence, leading to business closure or failure (Hartnack and Liedeman, 2016). Shabalala (2014) goes on to claim that widespread corruption and lawlessness in South Africa have an impact on the growth and potential of the informal sector.

Informal traders face other constraints, such as a country's political situation and imposed policies (Willemse, 2011:9). Tshuma and Jairi (2013) emphasise that the government controls political conditions and procedures. In this regard, Skinner (1999:17) recalls the planning of South Africa's government during apartheid, when casual trading, primarily by blacks, was prohibited in urban areas. However, Tshuma and Jairi (2013) argue that trading restrictions exist today. This situation is compounded by the regulatory barriers and law enforcement behind the harassment and negative perceptions towards street traders (Hartnack and Liedeman, 2016). According to Onyebueke and Geyer (2011), traders operating in open spaces, particularly in central business districts, are frequently accused of defacing the city. As a result, their goods are confiscated, and police often arrest them. In 2013, the Johannesburg City Council forcibly removed thousands of inner-city street vendors and confiscated their merchandise (Skinner, 2018:431). Recognising this, then-Acting Chief Justice Moseneke described how 'Operation Clean Sweep' was a humiliation and degradation (Skinner, 2018:431). However, this situation persists despite informal traders' need for essential services and efforts to improve livelihoods through everyday activities (Masuku and Nzewi, 2021).

Furthermore, the participation of informal workers in political and policy decisions is minimal to non-existent (IEJ, 2018). This situation is exacerbated by the perception, primarily held by local governments, that workers in the informal economy need to be more organised. Fourie (2018:8) adds that most local governments often ignore street trading because they believe it contributes nothing to growth and decent employment. As a result, they need more policy backing. Inadvertently, the NEDLAC Community Constituency recognised the roles of national alliance organisations such as the South African Waste Pickers Association, the South African Informal Traders Association, and the South African Domestic Services and Allied Workers Union in advocating for the rights of informal workers. However, the national and local governments often exclude them in policy-making processes, particularly those involving the informal economy (IEJ, 2018:3).

Another group of constraints comprises operational challenges (Willemse, 2011:9). Informal traders' livelihoods and incomes require them to run businesses daily. Consequently, this limits them from accessing the needed market information (Madichie and Nkamnebe, 2010), adding to the gaps in their knowledge of successfully running a business and new entry goods (Chilwalo, 2015). Moreover, transport is a significant issue for traders far from the city. Willemse (2011) discovered, for example, that informal traders operating in the CBDs of four South African cities face common transportation issues, a lack of suppliers, a lack of municipal services, and insufficient infrastructure and shelter. In their study, Masuku and Nzewi (2021) discovered in Duncan Village that informal traders operating along the side of a road and in open spaces frequently find it challenging to conduct business in bad weather. This is especially concerning for those who trade in food or fresh produce because their stock is exposed to extreme weather conditions, increasing the likelihood of stock damage (Zogli, Dladla, and Dlamini, 2021:414). A lack of urban infrastructure exacerbates this situation.

Competition amongst street traders, according to Chilwalo (2015), Shabalala (2014), and Willemse (2011), is another type of operational challenge. Cohen (2010) claims that fierce competition makes collaboration difficult. Inadvertently, competition frequently breeds resentment amongst street vendors (Mago, 2021:54) and impedes productivity (Comparison, 2010; Ligthelm and Masuku, 2003:50). Lower consumer demand, limited product differentiation, and increased competition from new traders can result in varying and lower profits (Cohen, 2010:281). However, in Indonesia, street vendors reported that increased market competition led to more competitive pricing and higher product quality (Suryadarma, Poesoro, Budiwati, Rosfadhila, and Suryahadi, 2010: 81–82).

Although the study generalised the challenges faced by the participants in the informal economy, the challenges are not exclusive but display a degree of interplay. For example, the

sociocultural practices that are rooted in the society that sees men as the heads or decision-makers in their households have, to a lesser extent, burdened women traders with economic and financial challenges. This, as a result, has put women in a weakened position to withstand business competition or to overcome operational changes, such as the high transportation costs (Mago, 2020:55). Moreover, the challenges discussed above do not portray the information economy as bad for the economy and environment. However, this does not leave out the possibility of restraining the industry from generating additional revenue for national social programmes (Hope, 2014). These are some of the challenges that need to be addressed at the policy level. As Gumbo and Geyer (2011) note, not dealing with these challenges may worsen unemployment and poverty, and sustaining informational economic activities may remain objective.

3.11 CHAPTER SUMMARY

The informal sector's activities are pervasive in all parts of the world. The size of the informal economy, however, differs from region to region and country to country. Developing countries account for the most significant share of informal sector activities and employment. In contrast, developed and highly industrialised countries have relatively small informal economies. Four different schools of thought are provided to understand why the economy has persisted and expanded. These include the dualist, structuralist, legalist, and voluntarist schools of thought. Furthermore, factors such as globalisation, urbanisation and migration, poverty and exclusion, weak education and training, and eased access to goods and services are recognised to have led to growing size and nature of the informal economy.

In comparison, the size of South Africa's informal economy is small. The economy accounts for 2.5 million employees, equating to 20% of the total workforce in the country (Masuku and Nzweni, 2021). The country's history and apartheid planning, which inhibited entrepreneurial opportunities for much of the population, mainly blacks, have been cited as the reasons for the size of the informal economy. However, the size of the informal economy is estimated to reach 24.19% by 2025 (Etim, 2020) due to persistent unemployment, unending poverty, rapid urbanisation, and migration. The economy comprises street trading, spaza shops, domestic workers, waste pickers, construction workers, taxi operators, and cobblers (Rogan and Skinner, 2017). Undeniably, on the one hand, the informal economy provides income and employment opportunities and expresses the notion that people have the right to earn a living. On the other hand, the economy can strain local infrastructure and the environment. The next chapter aims to document the findings from the interviews conducted for the study

CHAPTER 4: DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

The study investigated how the informal economy can promote local economic development (LED) in Mangaung. Chapter 2 of the study defined local economic development and provided an international and South African perspective on LED. In Chapter 3, literature on the informal economy was provided. This chapter is divided into two parts: the first part provides background on the Mangaung Metropolitan Municipality, followed by the Batho Location. The second part of the chapter analyses the collected data by identifying and linking patterns and themes.

4.2 BACKGROUND ON MANGAUNG METROPOLITAN MUNICIPALITY

The Mangaung Metropolitan Municipality is centrally located within the Free State Province, South Africa (Figure 3). The municipality is one of the eight metropolitan municipalities in South Africa. The municipal area of Mangaung covers approximately 9 886 km² and has three urban centres (Bloemfontein, Botshabelo, and Thaba Nchu). Additionally, the municipality is surrounded by rural areas with small towns, namely Dewetsdrop, Wepener, Van Standensrus, and Soutpan (Mangaung Metropolitan Municipality Integrated Development Plan, 2020/21).

Figure 4: Map of Mangaung Metropolitan Municipality



Source: COGTA (2020).

The Mangaung Metropolitan Municipality is home to almost a quarter of the population of Free State. In 2023, the Metro was reported to have a population of 878 834, an increase from 861 651 in 2019 (Mugudamani, Oke, Gumede, and Senbore, 2023). Marais (2021:120) holds that the rise in population is due to the lifting of apartheid development restrictions in Bloemfontein, which resulted in middle- and low-income households relocating to the city. For example, the informal settlements have spread towards the east of Mangaung. Likewise, an increase in the number of households was reported between 2016 (265 560) and 2011 (231 921), and women head 41.1% of these households, while 1 418 are headed by girl children (COGTA, 2020:12). Regarding education, it is estimated that 3.6% (20 684) of people aged 20 years and older in Mangaung never had formal education. However, in 2019 an increase in the number of people with matric from 136 000 in 2009 to 172 055 was found. The number for those with a matric and a certificate is 37 965 (or 6.63%), while those with a bachelor's degree stood at 39 419 (6.89%), and post-graduate degree is 15 948 (2.78%) at that time (COGTA, 2020).

Mangaung's economy depends on its provincial capital status and role as a regional service provider for small towns and neighbouring Lesotho. The municipality contributes around 31% towards the local output (Global Insight, 2019). Marais, Van Rooyen, Lenka, and Cloete (2014), highlighted that Mangaung remains dependent on community services. In 2017, the sector was reported to have recorded a growth of 33%, followed by finance services at 21%, trade at 17%, and transport at 17%, while manufacturing only registered 6% of the economic activity (COGTA, 2020:23). Subramanyam and Marais (2022) argued that there is little short-term potential to attract manufacturing or international investment. Hence the sector recorded the lowest economic activity. However, The National Treasury expects Mangaung to be the engine of growth and contribute to the national economy on par with Johannesburg, Cape Town, and eThekweni.

Regarding employment contribution per sector, the 2022 Quarter 1 statistics indicated that 1 132 00 people are employed in Mangaung (Stats SA, 2022). The tertiary sector is the largest employer in the Metro, with community services (32%) followed by trade (16.2%) and finance (15.1%). Notably, 16.4% (or 46 051) of the total employment in Mangaung is in the informal sector, with trade remaining the largest employer at 45.1% and manufacturing smallest employer at 6.5% (COGTA, 2020).

However, like many municipal areas in South Africa, Mangaung faces socio-economic challenges. Approximately 36.6% of the total population of Mangaung lives in poverty (COGTA, 2020). As such, unemployment remains an issue in Mangaung, with 93 400 people reported unemployed in 2019. Moreover, Mangaung is arguably the most socially unequal in South Africa, with a Gini coefficient of 0.62% and a human development index of 0.67%. This is a phenomenon rooted in the legacy of apartheid (Subramanyam and Marais, 2022: 2906).

4.3 CENTRAL BUSINESS DISTRICT

Like many other cities in South Africa, Bloemfontein developed around the central business district (CBD) (Kotze and Donaldson, 1998). The CBD covers an area of approximately 258ha (figure 3).

Figure 5: Mangaung Central Business District



Source: Ncube (2019)

The Central Business District of Mangaung has roots in what was known as the apartheid city (Krige, 1991, 1998). Hoogendoorn and Marais (2008:82) point out that the Bloemfontein CBD was central to segregating various populations and was used for commercial proposals. Apartheid planning, in this case, used the railroad to maintain the social and economic divide between different racial groups (Krige, 1991). Moreover, the apartheid government used policies such as the Group Areas Act No 41 of 1950 to enforce segregation and ensure that inner-city zones were restricted to the white population.

However, the abandoning of segregation policies, particularly the Group Areas Act, when negotiation for a democratic South Africa started in 1990 led to people from other racial groups to migrate to cities with economic activity (Marais, 2021:121). In fact, the Group Areas Act of 1950 officially constituted and implemented townships as housing settlements for non-white individuals, with a focus on the working class official and casually populated metropolitan areas forming before 1994. These locations are physically cut off from the commercial districts and city centres. Jürgen, Marais, Barker, and Lombaard (2003) pointed out that 1991 was

marked by a shift in the racial composition and a move away from what was known as a whites-only area causing a desegregation of almost 50% in 2001. Ferreira and Visser (2015) add that the advent of democracy in 1994 saw Bloemfontein's white citizens and capital emigrating from the CBD to segregated communities. To this effect, there was an increase in the number of black people from 30 to 77% between 2001 and 2004 (Hoogendoorn and Marais, 2008). However, it can be argued that the changes in the racial composition across the CBD were due to the private development of the western sides of the CBD (Krige, 1998). This included moving formal businesses west of the CBD and leaving vacant spaces for informal businesses. Because of this, white customers and the middle class avoided using the CBD as their primary shopping area. Hoogendoorn and Marais (2008) argued that withdrawing the middle- and higher-income groups from the CBD required adjusting to a new clientele. The people living in the CBD are Nigerians, Ghanaians, Cameroonians, Somalis, Ethiopians, Malawians, Congolese, Ethiopians, Bangladeshis, and Lesotho nationals (Ncube, 2019).

4.4 BATHO LOCATION

The Batho Location is essential as it is allegedly the first location to be recognised as a "model location." This is because of the housing and general amenities made available by the Apartheid Government (Du Bruyn and Oelofse, 2020). However, like many other locations in South Africa, Batho Location has its roots in the segregationist discourse of the post-Anglo-Boer War.

Figure 6: Map of Batho Location

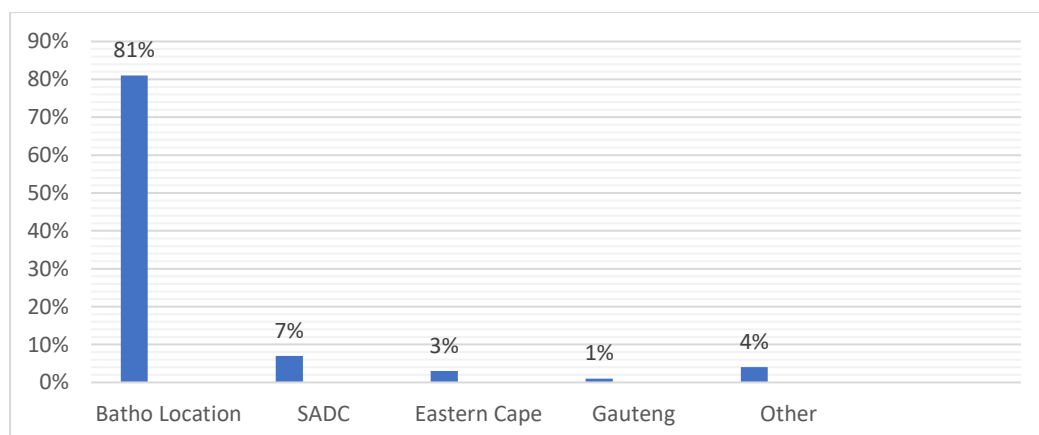


Source: *Du Bruyn and Oelofse (2020)*

Batho Location falls under municipal ward one in the Mangaung Metropolitan Municipality, covering an approximated 2.4 km² land area (Figure 5) (StatsSA, 2011). The location was established in 1918 following the then municipal council's decision to change the spatial layout of Bloemfontein and demolish the area of Waaihoek. Du Bruyn and Oelofse (2019:53–60) highlighted the factors that led to the council's decision. First, race relations and racial attitudes that sidelined mainly black people from areas in which whites lived and were only welcomed for work. Second, the Batho Location was established because of a decision to reduce the proximity of Waaihoek to the urban centre of Bloemfontein or the Central Business District. According to Du Bruyn and Oelofse (2019:55), the demolition of Waaihoek was based on its position in the European portion of the city. Fourth is the urbanisation of black and coloured people, which is attributed to unsatisfactory life and labour conditions. As such, people moved to Waaihoek in search of a livelihood and employment opportunities. Fifth, the demolition of Waaihoek became urgent for the municipality when Bloemfontein, like the rest of South Africa, was hit by the Spanish Influenza in October 1918. Finally, St Patrick Anglican Church in Waaihoek was situated in an area needed to build a power station in Bloemfontein.

Against this backdrop, the 2011 census reported that the Batho Location had a population of 11 550 (StatsSA, 2011). The population of Batho Location comprised mainly black people (97%) and only 1.49% coloureds and 0.22% Indians. As illustrated in the figure below, 88.5 % of the people living in Batho Location are born in South Africa, while 9% are from outside South Africa. Ncube (2019:11) points out that most migrants residing in locations are from Zimbabwe, Mozambique, and Lesotho. They have started their small businesses in the location, and in most cases, this includes salons, tire repair and car mechanics, workshops, fruit and vegetable markets, and fast-food outlets.

Figure 7: Migration to Batho Location



Source: StatsSA (2011)

The average income of each household is estimated to be R29,400 per annum, and 50% of the population (higher than the provincial rate of 37.7 %) does not have an income (StatsSA, 2011). Regarding employment, 45 % of the people living in the Batho Location are formally employed. This is lower than the rate of those employed in the informal sector (61 %) (StatsSA, 2011). Furthermore, the 2011 Census reports that 84% of the youth aged between 15 and 17 are economically active, while 0.6 % are discouraged workers.

A survey conducted by StatsSA (2011) found that 3.5 % (276 of the population in Batho Location) have yet to attend school. However, 2 512 people were reported to have gone to school until grade 12, while 2.7% and 0.9% have furthered their education and have an undergraduate or postgraduate degree (StatsSA, 2011).

4.5 RESEARCH FINDINGS AND ANALYSIS

This part of the chapter aims to document the findings from the interviews conducted between January and March 2023. Twenty-two interviews were conducted with informal traders operating in the Central Business District and Batho Location, the manager on LED from the Mangaung Metropolitan Municipality, managers from the provincial Department of Small Business Development, Tourism, and Environmental Affairs (DESTEA), the provincial Small Enterprise Development Agency (SEDA), and the Association for the Informal Economy.

The study focused on informal traders in the Mangaung Metropolitan Municipality. The population included officials employed at the Mangaung Metro, DESTEA, SEDA, and the informal economy association. Purposive sampling was used to recruit the participants, and the researcher obtained their contact details following a visit to their respective departments and institutions. Appointments were set up with all the participants. The researcher sought to interview the Director for LED coordination, support, and implementation from the provincial Department of Cooperative Governance and Traditional Affairs. However, the request was declined, citing that they needed more information on the research.

Nonetheless, the questions discussed with participants allowed them to express themselves openly and provided context to their opinions. The researcher compared patterns and nuances emerging from the data collected. The background and reasons, as well as the number of years spent as informal economy participants as described by respondents, are provided.

4.5.1 Background

To explore who are the informal economy participants in Mangaung, the participants were asked about their backgrounds. The researcher established that the informal economy

comprises people from different socio-economic backgrounds. The government official noted, *“We did some analysis, and we know that we have more women than men and that many youths have joined the informal sector”* (S6).

Some informal traders were married and had a difficult life but had to survive:

“I am a 60-year-old male with a wife and two kids. Regarding my education, I dropped out in Grade 10 and was in prison for ten years” (T16).

However, some of the informal traders are qualified and have qualifications, but since they cannot get employment somewhere else, they thought of opening their own businesses:

“I am 52 years woman. I attended school until grade 12 and did a business management course. I also have an Information technology certificate” (T15).

4.5.2 Defining the Informal Economy.

The participants were asked to define the informal economy. Various respondents described the informal economy as those who cannot find employment would resort to opening their own businesses to make a living and survive. One respondent defined the informal economy as:

“a segment meant to accommodate people who can’t find employment and are willing to start their businesses but do not have the necessary capital” (T3).

A government official is, however, of the opinion that the informal sector activities are not regulated:

“People who do business informally are those not registered through CPIC and (not) tax compliant” (S1).

From the interview conversations with the informal traders, the researcher found that most of the traders did not know what the informal economy is. They just see themselves as people who have decided to open their businesses to earn an income and feed their families.

4.5.3 Reasons for Starting a Business.

The respondents mentioned that they started their businesses because they were unemployed and had to make an income. Interestingly, even though some traders started their businesses for survival and because of being unemployed, they were positive that their businesses will grow. One respondent indicated he was motivated to start the business as a previous employer needed to pay better. At the same time, other traders found it easy to open an informal business since no specific regulations require to be abided by. A government official described the reasons why people join the informal economy through the following statement:

“The reason differs; however, job loss, lack of education, and inability to complete your qualification have led to many joining the sector. And during the COVID-19 pandemic, people might have failed at what they had started to make a livelihood, thus leaving the informal economy as an option for them. We also note that the sector requires little money, and little red tape is inviting for traders” (S6).

One respondent highlighted that the family has long been in the informal economy selling fruit and vegetables:

“The market is inherited from my uncles, aunt, and dad. They had a table with a permit on the other side of the CBD, but we have since decided to rent it out for extra income. In 2013, we decided to go on with the market business because we saw that making your own is better than working for someone else. At the same time, inheriting the business reduced the stress of applying for permits” (T5).

However, it was established that a local person owns most informal market stalls in the CBD. They would hire a person, primarily a foreign national, responsible for the day-to-day running of the market. At the same time, some locals have formed a partnership with foreign nationals:

“I do not have a permit registered in my name since I am from Lesotho, but the person I work with is a South African person who does have one” (T14).

4.5.4 Number of Years in the Informal Sector

The interviews established that some informal traders have only started operating after the Covid-19 pandemic. However, two respondents indicated they have been in the informal sector for over 20 years. An official echoed the situation whereby people spend almost all their life working in the informal sector through the following statement:

“There are a lot of older adults who have been in the informal economy for more than 20 – 30 years. The economy has not been growing to allow people to shift from one sector to another and enable entrepreneurs to move from micro-entrepreneurs to small and medium entrepreneurs. It means they don’t know, or the government or the private sector provides no capacity to allow them to graduate from being a micro to medium business” (S6).

An official from the informal economy association echoed this situation:

“There are people/ traders I found street trading, and they have been doing so for 40 years. (Names cannot be mentioned) without any progress, officials have known the person as the one that sells vegetables” (S4).

4.5.5 Products Sold and Services Provided

Most of the respondents that were interviewed sell fruit and vegetables. The other informal traders are in the fast-food business, selling sweets, peanuts, cigarettes, sunglasses, and hats. However, one respondent sells traditional medicines and herbs, while another works at a salon. Through observation, I established that most traders have managed to diversify, they have a product(s) they sell and provide services:

“I do cell phone repairs and sell scones, dagwood, pies, and cold drinks “(T10).

Figure 8: A Picture of Informal Traders Displaying their Goods.



4.5.6 Challenges Faced as an Informal Trader.

The respondents were asked to describe the challenges they have experienced as informal traders. The challenges are discussed below.

4.5.6.1 Weather Conditions

The main challenge given by traders operating in the CBD and Batho Location is the severe weather conditions. Various respondents voiced their concern regarding how weather conditions impact on the daily operations of their businesses because they need adequate infrastructure. One trader indicated that when it rains, they must use plastic to cover the stock or products they have on the table, which sometimes is not enough and leaves them with the damaged product and, as a result, they must stop operating on the day or not open entirely. One respondent in the location voiced their concern through the following statement:

“The current structure I sell under needs to be more suitable and capable of protecting me and my business. When it starts to rain, I am forced to pack and close business. For almost the past five years, municipal officials would come to observe what kinds of products you sell, and they would go as far as promising us that they would provide us with containers. However, that is yet to materialise” (T12).

Figure 9: A picture of an Informal Street Trader Covering Stock with Plastic.



4.5.6.2 Infrastructure and Storage

Apart from severe weather conditions, many traders who stay far from where they operate need help to travel from their home to the business site and, therefore, pay for storage at nearby buildings. A respondent described this situation through the following statement:

“Most informal traders, particularly those operating in the CBD, have indicated storage problems. After business hours, they must pack and ask for storage in nearby buildings and pay a daily fee of R20 to R50. Those selling vegetables buy spinach in the morning at the market; if not purchased, they must send it for storage, and the products must be stored in a refrigerated place. This becomes problematic since they need access to such a place” (S2).

It was established that most traders were allocated spaces to operate inside the taxi rank; however, they are now spread around the CBD. A government official, however, indicated a problem with traders not wanting to operate in demarcated areas:

“Russell Square in the central park can house about 20 traders. The management of the central park has approached the association to give traders permits to

operate on the centre's rooftop. Central Park management mentioned that unorderly traders don't want to trade in demarcated spaces and are blocking entrances, allowing Lesotho foreign nationals to trade and causing an influx. Security and other staff members of the central park have faced threats" (S6).

4.5.6.3 Hygiene and Cleanliness

Numerous respondents indicated that there is a growing hygiene and cleanliness problem. A respondent operating near the taxi rank highlighted that people relieve themselves near where they do business, affecting their business because customers will complain about the smell. Another respondent described their challenge in terms of waste management and the inability of the local municipality to ensure the maintenance of the existing infrastructure:

"Lack of sanitation collection and running raw sewerage makes it challenging to attract customers" (S2).

Figure 10: A Picture Showing Piled-up Garbage Near an Informal Food Stall



A government official is, however, of the opinion that the municipality is not solely to blame for the uncleanliness of the CBD:

"We have been ensuring that the area is clean, and the roads and water linkage are fixed, but now I'm in a bad lock because the association does not want informal traders to be regulated. We have distributed refuse bins across the CBD for traders

to post their damaged products and throw unwanted boxes in them; however, they rather throw them at the nearest corner, mostly near a traffic stop. We also acknowledge that we have not been able to ensure that trucks are serviced, leaving refuse not being collected. Hence you see that cabbage piling up across the CBD. As a result, this affects the need for traders to attract customers. However, I need the help of the Environmental Management Directorate of DESTEA” (S6).

4.5.6.4 Business Registration

The interviews established that most traders operating in the Central Business District and Batho Location need municipal business permits. One respondent said the reason for not having a permit had to do with her having to take care of her kids' education, while others indicated that they had visited municipal offices; however, they are yet to receive assistance:

“I have been going to the municipality for the longest time to make a permit. Whenever I go to the municipality, I am told that the person responsible for a permit is unavailable or that the system is offline. The only thing I have close to a permit is a letter allowing me to operate during the Covid-19 pandemic” (T12).

However, a government official believes the association wants traders to refrain from renewing their permits. Opposing this view, a respondent indicated that:

“The association wants the municipality to issue informal traders with permits. The issue is how we access permits and what the by-laws say. We have engaged with the municipality on by-laws, but most of the problems we (the association) raised should be included. For instance, the by-law would say that traders must operate from 6:00 am to 6:00 pm. This regulation takes away the opportunity for traders to make money. For instance, the central park closes at 10:00 pm; during that time, some people would want to buy something for the road or their house. The one thing we seem to forget is that informal traders ensure the accessibility of products” (S4).

The officials from the municipality indicated that they use to have at least 50 informal traders seeking to register their business. However, it was established that Tuesday is located to informal traders' registrations, and because of this, the number declined significantly.

4.5.6.5 Funding

The interviews established that most traders started operating informally due to a need for more funds while growing their business needs to secure the necessary funds. This frustration was captured through the following statement:

“I started an informal business instead of a formal one because of a need for more capital. It is always hard for black people to have the money or resources to start a business. At some point, SEDA came to the market to offer us loans when your business was not doing well. The interest needed to be higher and was supposed to be repaid in a week” (T2).

A government official indicated that they are aware of the funding challenges faced by informal traders, and the department he is working for has taken a step to address this challenge:

“We do have plans for informal traders. The first thing we do is to capacitate them. For example, we developed a programme (Advancing Support for Black Entrepreneurs through Equity Finance) in partnership with Motheo FET College Centre for Entrepreneurship. The program is not only for SMMEs but also for informal entrepreneurs. We aim to teach entrepreneurs how to access business funding from the department and DFIs. One requirement is to have undergone training and a municipal business permit” (S3).

It was established that the Municipality does not offer financial assistance. Instead, because of the ongoing intervention, the municipality had to rely on DESTA.

4.5.6.6 Foreign Nationals' Entry into the Market

Some of the traders raised concerns about foreign nationals. Many informal traders in the CBD and location migrated to Mangaung, hoping to find employment and make a living. However, they have entered the informal economy and started businesses like locals. A respondent described this situation as follows:

“We need help with foreign nationals entering the city and infiltrating the market. They would open a stall next to existing traders and sell the same products, causing distraction. Even the pricing could be better. Their focus is to bring distraction through pricing, though this is often for competition and to penetrate the market. But you will find they have left the market later, leaving you with consumers who want you (the trader) to sell to them at lower costs” (S5).

An informal trader operating in the CBD mentioned that they would go to the municipality to raise such issues; however, this is yet to be resolved. In addition, a government official believes that dealing with informal foreign traders is a complex issue that requires careful handling:

“We cannot be harsh because of strikes and xenophobia from foreign nationals operating in the city” (S6).

4.5.7 Covid-19 Impact on Business and Livelihoods

The respondents were asked about the impact that the Covid-19 pandemic had on their businesses. The respondents voiced their concerns that they were not supported during the pandemic, which severely impacted on their businesses, mainly because they were not allowed to trade. One respondent described this situation as follows:

“The loss of income left me destitute. I depended on the daily money to put food on the table, and because we also could not sell from home, the situation only worsened. Unlike South African informal traders or locals, the Lesotho people did not receive the R350 from the South African government. If we did receive the grant, I believe it would have eased my plight” (T7).

Two respondents mentioned that the pandemic did not have much of an impact on their family’s livelihood; however, they raised concerns about its impact on their employees. One respondent said:

“It did not impact my livelihood much. The effect, I believe, was felt by the people I have employed (4 people). Because we could not open for business, they did not have some sort of income. They had to apply for the R350 government grant to at least cover where they could, but more is needed” (T1).

Another respondent added:

“One of the siblings depends on the money made from the market to finance his studies, and because the university pushed for virtual learning, it became a problem to afford things such as data (T5).

A Covid-19 relief grant was meant to support informal traders during the pandemic. All the traders interviewed mentioned that they never received the grant. A respondent from the informal economy association corroborated this through the following statement:

“During the Covid-19 pandemic, we (the association) approached DESTEA and found that only 15 out of more than 1500 traders were assisted. This made me question the assistance we get from DESTEA. We gave them our database. We realised that from the Chesenyama category, they chose five and five from those selling vegetables. That is why you will hear others saying they got the grants and others did not” (S4).

A government official, however, indicated that their department supported informal traders during the Covid-19 pandemic:

“We advertised that informal traders must apply for funding at DESTEA. However, permits were an issue. Before advertising, we met with municipal chambers to inform them about the funding programme for Covid-19 and whether permits will be a requirement. However, since many informal traders still need permits, we asked them to submit old permits so that we can see that they are genuinely operating. Some traders were Lesotho nationals and did not have IDs, which we also used to verify whether a person was operating an informal business and which space they operated at. Side note: foreign nationals still need to receive the fund though some approached the department” (S3).

It was established that the Municipality was responsible for facilitating this process, and because of the ongoing intervention, the municipality had to rely on DESTEA.

4.5.8 Support to the Informal Economy

The officials responded that they had trained informal businesses to draft plans and register their businesses. One respondent indicated that this was all the support they could provide as they could not provide funding. A government official, however, said that through the Informal and Medium Enterprise Programme, they helped informal traders with equipment:

“We had a program that the Department of Small Business supported and supplied equipment to the traders. We asked for the number of traders from different districts in Mangaung (50 from each district); upon arrival, traders were given an application form with a section indicating what they needed to be supported with. However, much depended on our budget. The name of the programme is the Informal and Micro Enterprise Development Programme” (S3).

Most traders required a permanent structure or container with the equipment to operate from and use for storage. One trader, however, indicated the need to own an electronic payment machine:

“I would appreciate it if we were sponsored with Yoco swipe machines. Most customers just walk past the stall and see something they might need later at home. You find that they do not have the necessary cash, and we do not provide credit, so they will ask if they can maybe buy using a card. Us not having such a machine means losing customers” (T5).

An official from SEDA highlighted that they do not provide support to all informal traders:

“We do not only support selling clothes, which are mostly branded. We believe they are counterfeited, and people will go to places such as Gauteng to buy and sell these clothes” (S1).

One trader said that because of his nationality (Lesotho), he does not see that he will ever receive support. A government official, however, indicated that consent is not only for South Africans:

“Our by-law allows us to give foreign nationals permits to conduct business. In terms of the law, a permit because the Constitution mandates that all people who live in South Africa have the right; however, when it comes to a situation where they don’t have valid documents, we do not help them. The same applies to South Africans who do not have an ID and the necessary documentation. They must apply for demarcated spaces because, in terms of the by-law, there are prohibited areas. They must also sell legal goods. Therefore, we help if it is within the by-law’s parameters” (S6).

An official added that a bill had been proposed to the provincial legislature to help regulate and support foreign nationals. This was expressed in the following statement:

“The department is busy with a local economic development integrated and transformation bill to regulate foreign nationals-owned businesses. The department does not exempt foreign nations from conducting business but proposes regulating them” (S2).

There are many challenges in providing support to informal traders. A government official expressed this challenge through the following statement:

“The department appointed a service provider to ensure effective monitoring and evaluation. We have realised that the sector is not constant, and traders will likely close business for different reasons. However, the challenge comes when we have identified the trader for any support; they would have either stopped operations, found a job somewhere, and are now renting their market stalls to foreign nationals or have abandoned them. This often happens with traders operating in the location” (S2).

4.5.9 Stakeholder Engagement with Informal Traders

With the current level of engagement and support between stakeholders and the informal economy participants, all officials agreed it needed to be increased. All officials indicated a need to properly understand and organise the sector to improve engagement and support. Echoing this situation, a government official indicated that:

“The department has approached the municipality to develop an informal trader’s database so that they know how many traders operate in Mangaung. The department has a district office located in different parts of the province. This helps ensure we reach as many traders as possible” (S2).

The official further highlighted that:

“The department can engage with traders as soon as there are by-laws. The Local Economic Development Integrated Bill is still with the provincial legislature for discussions and implementation. Once the bill is passed, we believe the department and municipality can develop programmes to ensure the local economy’s success and that the informal economy will be supported. The potential of the informal economy will be tapped” (S2).

An official from the Association for the Informal Economy highlighted the need for a bottom-up approach in engaging with informal traders:

“I can give an example about the minister of small business. The minister is involved, but they only know that informal traders exist, and we need to engage with someone from the department at the ground level. So, they tend to deal with us from observation and do not know our daily challenges” (S4).

Training sessions would be hosted to allow informal traders to access support and for stakeholders to engage with them:

“The support programmes cater to everyone, and those operating in the location also have access to them. For instance, we sometimes host training sessions at Lesly Molalenyane Hall, which is situated in the location. Attendance is two-fold. Sometimes you will get high attendance because we work with stakeholders. For instance, we worked with informal traders who awarded contracts for selling at the Dr Molemela concessions during events. We trained these traders, and support was higher than expected” (S3).

Interestingly, an informal trader operating in the CBD indicated she has stopped attending training, and this is because attending such training does not make any difference:

“I have attended training sessions offered by SEDA, DESTEA, and the municipality. I do also have several certificates that are just sitting at home. At SEDA, they did offer training on managing finances and bookkeeping, but that is the only benefit I can refer to. Since I am in the food category, I attended training. We were told by municipal officials who encouraged us to participate that we would be considered if there were any catering tenders, but that was all talk” (T1).

Another respondent highlighted that:

“We do not get a chance to attend. One of my siblings is a student juggling his studies and helping at the market. As for me, I have a job and only come to help when I get off days at work, leaving one of our brothers to manage the business alone. Therefore, it would have been better if those trainings were held on Saturdays or Sundays because that’s the day we usually do not open for business” (T5).

Most of the informal traders registered with the association of the informal economy sell fruit and vegetables. However, two of the traders interviewed highlighted that they are registered with the association, while eleven informal traders said they had never heard about the association. A respondent described their relationship with the association through the following statement:

“We no longer get much attention from the association, and because of this, we had to form a committee for informal traders. However, that yielded no results, and we had to dissolve it. There needs to be a formal structure for reporting” (T1).

In the interviews, it was established that the association of the informal economy does not have a Facebook account. An official indicated that most people come to know of the association when there is a crisis. For instance, in February 2023, the association visited Rockland in Mangaung to ensure that informal traders are not perceived as people involved in crime and are not here to make a living. Interestingly, a respondent who is a Lesotho national operating in the Batho Location indicated that he was forced to close business for the day because of the tensions that arose because of the alleged incident:

“We were attacked by locals following an incident with a Lesotho national and a local tavern owner in one of the locations in Bloemfontein. Our stock was taken by force, and stalls were destroyed. As foreign nationals: we were to blame and did not get any protection from the police or anyone during this time” (T14).

4.5.10 Collaboration Between Stakeholders

The stakeholders were asked about their engagement with each in supporting the informal economy. The stakeholders mentioned that collaborating with other government departments, municipalities, and institutions is essential to ensure that the government is responsive and that the needs of informal traders are taken care of:

“We work according to the District Development Model. The model allows us to work with SEDA, SEFA, the municipality, COGTA, and SASSA. The role of SASSA is to vet traders whenever they come to ask for funding. Through this network, we

can better assist informal traders since we all bring different types of support to them” (S3).

A government official added that for financial assistance, informal traders would need to start with SEDA to get help from the municipality. However, respondents mentioned that the ongoing national government intervention and instability at the Mangaung Metro hinder ensuring that support is sought for informal traders. A respondent raised this concern through the following statement:

“Getting hold of officials working at the Mangaung Metropolitan Municipality is a problem. This situation is getting worse since the municipality is under national intervention. Municipal officials we knew we could talk to and get assistance from cared to take responsibility and be transparent are no longer available. We go into meetings and have agreements with certain officials, and in four months, we find that they are no longer available or working for the municipality. This puts the association in a compromised situation” (S4).

This statement was corroborated by a government official who stated that:

“Another area for improvement is changing managers, particularly in the LED office, and this has become a challenge since they cannot hire new managers or personnel. We do not have the contact details of people from the LED office at the Mangaung Metropolitan Municipality” (S2).

Through the interviews, it was established that the association for the informal economy and Mangaung Metro have yet to engage in any programmes to support informal traders. One respondent indicated that stakeholder collaboration in the Mangaung Metropolitan Municipality differs from the experience in other provinces. This situation was described through the following statement:

“We do find that sometimes the situation differs. For instance, what we experience in Mangaung might be the same as in Cape Town. You get that in Cape Town, they implement programmes, whereas here in Mangaung, you will be told that they first need to consult, and in other cases, there are reports of alleged corruption. I believe the difference is with who is in power or political administration in the province” (S4).

4.5.11 Transitioning to Formalisation

Formalisation by informal traders is essential and leads to employment creation. A government official indicated they could better identify, and support traders once formalised, so that they

become sustainable small and medium enterprises. An official from the association is, however, of an opinion that:

“Formalisation is that it seems to worsen the situation; traders will get more harassed and discriminated against than when they are informal. This happens because now they know you and where you operate, and you need to be consulted if there is a shop opening near or in the space you use” (S4).

4.5.12 Current By-Laws on the Informal Economy

Regarding the local economic development strategy, by-laws are highlighted as the problem of why informal traders are never included in local economic activities. A government official reiterated this statement:

“Issues such as by-laws remain problematic in incorporating informal traders in local economic activities. Most of the by-laws touching on hawkers have been reviewed in a long time” (S2).

An informal trader said he wants to grow his business; however, the challenge remains with municipal by-laws:

“The current municipal by-laws are limiting us. We cannot grow in business because of the by-laws. For instance, I’d like a place where people can buy and sit. However, according to the by-laws, I only have the space where my trailer is situated and cannot use the other space nearby. So, for us to grow, they must amend the by-laws and ensure they are inclusive” (T10).

A municipal official indicated that they have several internal and external challenges:

“Internally, there is a lack of capacity from the different stakeholders. As the SMME directorate, we need support from various functions within the municipality to implement the by-law: legal services, law enforcement, and environmental health. One issue is that we must manage and support a function we don’t have full control over” (S6).

“Externally, I need assistance from the SAPS, Home Affairs, Environmental Management: DESTEA, and small business Directorate: DESTEA. In a nutshell, those are the functional areas that the informal trader management function at the municipality level needs to implement the by-laws” (S6).

The municipal official further indicated that the ongoing national intervention in the Metro has made it challenging to implement by-laws. In addition, as per National Treasury instructions, the Metro is not permitted to spend on or hire personnel leaving strategic positions vacant.

4.5.13 Issues with Local Economic Development in Margaung Metro

The research found that the Margaung Metropolitan Municipality still needed to implement the local economic development strategy. A government official added that:

“There is much red tape for business in Margaung, and this has resulted in the inability of the municipality to attract investment. In addition, there is no linkage between the municipality and the business sector” (S2).

A respondent from the association further highlighted that their inputs should be included in local economic planning. This was best described by an official from the association:

“We do know about the local economic development integrated bill, and we did raise some issues that we believe need to be incorporated into the bill. However, all our inputs were never included. The same applies to the by-laws. We are also not included in the budget for supporting the informal economy” (S5).

A government official, however, indicated that they have trouble working together with the association:

“The department did approach the association for their input on the bill. The association proposed that only locals must be supported. However, the challenge is that foreign nationals already populate the sector. By eliminating it, we erode the notion of easy access, particularly in communities where people buy food and other necessities. Working with the association is problematic; there are issues with the corporation” (S2).

Table 2: Summary of Most Important Findings of the Chapter

Theme	Sub-Themes	Main findings
Defining the informal economy.		The informal economy is defined as a segment for unemployed people who are willing to start their business, but do not have the necessary capacity to start a formal business.
Reasons for starting a business.	<ol style="list-style-type: none"> 1. Background 2. Reasons 3. Number of years in the informal sector 4. Products sold, and services provided 	The informal traders are old and young (male and female) people who have started primary school but did not finish; while others managed to complete matric and have a qualification. Most of traders entered the informal economy for employment and survival and have now been in the sector for less than two years and others for 20-30 years. The products sold are fruit and vegetables, traditional medicines and herbs, fast food, and the services provided include cell phone repairs.
Challenges	5. Weather conditions	Traders must close businesses for the day and lose an income due to the weather.
	6. Infrastructure and storage	Most of the informal traders are forced by pay a daily or monthly fee for storage. For those selling products that need to be stored in cold or cool places this is a problem since most of the storage facilities do not have such places.
	7. Hygiene and cleanliness	The municipality has not been able to do refuse collection and ensure that the CBD is clean, and this has resulted in customers complaining about the area traders do business from.
	8. Business registration	Most of the informal traders do not have municipal informal trading permits. However, some of the traders have not applied for a permit as they fear that this will impact on their children getting bursaries for university.
	9. Funding	Informal traders do not have access to funding, and they had started their business in the informal sector. Although Chilawo (2015) found that the lack of funding is due to the inability to qualify for bank loans,

		the study found that the situation is exacerbated by the lack of municipal permits. The permits are a buffer to them accessing other funding provided by the government departments such as DESTEA.
	10. Foreign nationals' entry into the market	The informal traders from the sample interviewed are foreign nationals.
Covid-19 impact on business and livelihoods		Respondents lost the ability to make an income due to restrictions imposed by the government on the movement of people and informal trading during the COVID-19 pandemic. The informal traders interviewed did not receive relief grants intended to support them during the pandemic, despite the government's advertising that the informal traders should apply for the grant on local news stations. Nonetheless, municipal business permits remained an issue, as it was a requirement for traders to have one.
Support to the informal economy		Government institutions such as SEDA have helped informal traders with the drafting of business plans and how to register their businesses with SARS. Others were provided with equipment; however, infrastructure provision is an ongoing problem. The support provided by SEDA does not apply to informal traders selling branded clothing items unless they own the brand. Foreign informal traders are not supported. A government official indicated they need help with informal traders selling and renting their market stalls to foreign nations.
Stakeholder engagement with informal traders		Most of the engagement is with the informal traders in the CBD, and those in the location indicated that they have yet to hear or receive any support from the government.
Collaboration between stakeholders		The respondents indicated that they need help engaging or collaborating with the officials from the Mangaung Metropolitan Municipality. It was highlighted that the situation is exacerbated by ongoing national government intervention and the change of officials, mainly from the LED office.

Transiting to formalisation		Formalisation of informal businesses is supported since it will ensure that the government can identify the informal traders and know where they conduct their businesses. However, respondents highlighted that formalisation tends to worsen the harassment and discrimination of informal traders. Another respondent highlighted that they do not encourage informal traders to formalise as they would have to pay SARS.
Current by-laws and policy on the informal economy		The by-laws on informal street trading have yet to be amended. The informal traders highlighted that they should be included in the discussion on the by-laws. However, officials from the municipality indicated that they face capacity challenges and need the necessary personnel with the knowledge and experience to implement the bylaws. In addition, collaboration with other stakeholders to ensure the effective implementation of the by-laws and policies on the informal economy is a challenge.
Issues with LED in MMM		The Mangaung Metropolitan Municipality currently does not have an LED strategy in place. In addition, the previous LED strategy of 2018–19 was salient to the informal economy. Some of the issues the respondents highlighted were those on the human resource capacity within the LED directorate, lack of private sector investment in local economy activities, the lack of linkage between the municipality and the business sector, and political will and interference.
Theory	11. Structuralist and dualist school of thought	The findings presented in the present chapter revealed that population growth had drawn people from the rural towns and neighbouring countries to Mangaung in search of livelihoods, but only to end up in the informal economy. In addition, the economic downturn resulting from the Covid-19 pandemic led to people joining the informal sector activities to make or sustain a living. This relates to the dualist school of thought discussed in section 3.4.1. Accordingly, the informal traders interviewed revealed they started their business in the informal sector for lack of start-up capital and unemployment. This relates to the structuralist school of thought discussed in sub-section 3.4.2.

4.6 CONCLUSION

The chapter presented a case study of informal traders operating in the Mungaung CBD and the Batho Location. The data for the study was collected using the research approach explained in Chapter 1. This chapter identified the informal economy's issues in promoting LED for the Mungaung Metropolitan Municipality. Municipal and government officials, as well as the informal traders from the sample interviewed for the present study agree that the informal economy has the potential to help create employment opportunities and reduce poverty levels. However, evidence from the interviews and the Integrated Development Plan shows that the Mungaung Metropolitan Municipality has no LED strategy or interventions despite being budgeted for in the IDP. In addition, previous LED strategies were salient in the informal economy. Much of the municipal and government attention has been on the informal trading in the CBD and the less on those trading in the location. However, it was found that like in the CBD, market stalls in the location are owned by foreign nationals or have been sold or rented out to them by locals.

The next chapter presents the conclusion and recommendations for the study.

CHAPTER 5: RECOMMENDATIONS AND CONCLUSION

5.1 INTRODUCTION

The purpose of the previous chapter was to provide empirical findings obtained through a qualitative study set to investigate how the informal community can promote local community development. The focus areas of the study are the Mangaung Central Business District and Batho Location. This chapter presents a conclusion and recommendations based on the findings of the study.

5.2 OBJECTIVES

The study's main aim was to investigate how the informal economy can contribute to the local economy of Mangaung. The study focused on informal traders operating in the Central Business District and Batho Location. The research objectives guiding the study were:

- To understand the informal economy on an international level.
- To explore how the informal economy can promote sustainable and inclusive LED.
- To elucidate the legislation and practice that govern South Africa's informal economy.
- To evaluate the approach towards the informal economy and how such efforts have affected livelihoods in the Mangaung Metropolitan Municipality.
- To recommend how the informal sector can contribute more sustainably and inclusively to LED.

The following sections provide a summary of the research objectives.

Objective one: To understand the informal economy on an international level.

The first research objective was to understand the informal economy from an international perspective. The research objective was achieved through consulting literature in the third chapter of the study. The literature highlights that the informal economy's roots can be traced back to the 1970s when the economy was used to examine the work done by the urban poor and their livelihoods in Ghana (Bromley, 1990). From this, it was concluded that the informal

economy does not passively disappear once certain levels of economic growth are achieved. This finding is supported by Mofokeng (2005), who pointed out that regardless of the country's growth level, people engage in the informal economy for survival, because of job loss, or inability to find a job. In addition, the present systematic findings showed that people also enter the informal economy to supplement incomes earned from the formal sector.

The informal economy is sometimes referred to as informal employment or informal sector. While the informal economy refers to all units, activities, and workers so defined and their output (Vanek, et al., 2014:2), informal employment has to do with the relationship between the employer and employee not being governed by labour legislation. No social protection or employment benefits exist, and income earned is not taxed. The informal sector, however, refers to unincorporated enterprises that produce goods or services to provide employment and income to those who work in them (ILO, 2018b: 7). This definition is similar to that of Statistics South Africa, which views the informal sector as a component of the economy comprised of unregistered businesses conducted at public residences and on street pavements (Petersen, James, Charman, Mackay, Court, and Muteti, 2016:18). Informal sector activities may include casual day agriculture and construction, street vendors, domestic workers, security guards, temporary office helpers, and industrial outworks that operate from their homes (Chen *et al.*, 2004:15). Mofokeng (2005) further adds wood carvings, plumbers, electricians, hairdressers, tailors, furniture makers, mechanics, and drivers.

Based on the nature and size of informal sector activities in the sub-Saharan African Region (SSA), Schneider, Buehn, and Montenegro (2010) point out how the informal economy is persistent in poor and developing countries compared to developed countries. The region is reported to have a large percentage of 92% of people working in the informal economy, followed by South-East Asia with 88% and East and Southern Africa with 77% (ILO, 2018c). Eastern Europe recorded the lowest share (37%) of informal employment (ILO, 2018a). The dominance of the informal section in SSA is linked to high poverty rates, and people in rural areas use the sector as a livelihood strategy. The ILO (2002) added that the informal sector is distinguished by "ease of entry, reliance on indigenous and family resources, small-scale operations, labour-intensive and adaptable technology, and skills acquired from the unregulated formal sector and competitive markets". Furthermore, Chen (2012) provided four fundamental theoretical approaches to explain why the informal economy existed. From the dualist approach, the informal economy exists because of population growth as people move to urban areas in search of employment and economic opportunities as well as modern industrial development (Monyebodi, 2021:7). Dualists further asserted that the focus tends to be on formal microenterprises and self-employment rather than the relationship between informality, legal enterprises, and government regulations. Sadly, this has persisted despite

calls for the government to provide financial and business assistance, adequate infrastructure, and social services to the informal economy (Chen, 2012). Structuralists, however, see informality as a by-product of capital restructuring rather than the government's inability to create jobs in the formal sector (Meagher, 2013). On the other hand, excessive government bureaucracy and the cost and time associated with formal business registration are reasons why people establish informal enterprises. The legalist perspective argues that informality is not a sign of poverty but rather a choice to avoid legal requirements that may stifle business activity (Bonnet and Venkatesh, 2016). Lastly is the voluntarist perspective, which agrees with the legalist school and highlights that people enter the informal economy following a cost-benefit analysis.

Objective two: To explore how the informal economy can promote sustainable and inclusive LED.

The most important finding of the literature review is that the informal economy, in which the local economy has been incorporated, tends to foster a more sustainable and inclusive LED. This is because the informal economy encourages increased economic participation and income sharing by reconnecting people to the local economic system that supports them, increasing the potential for alleviating poverty and reducing inequality (Crush, et al., 2015; Rogan and Reynolds, 2015). The informal economy provides social and economic benefits to local economies, such as linkages with the formal economy, productive employment opportunities, increased human capital, consumer and social capital, economic shift, and resilience (Fourie, 2018; Iriyama, et al. 2016). However, the achievement will require the government's active support and that of the municipality, particularly in the context of increasing unemployment rates and urban populations in South Africa. Those in the informal economy face challenges such as a lack of recognition by the government, a lack of access to start-ups or capital to grow their businesses (Mago, 2018:53; Masuku and Nzweni, 2021:65; Akinboade, 2005:257; Skinner, 2006:130;), lack of information on support programmes (Chilwalo, 2015; Madichie and Nkamnebe, 2010), inadequate infrastructure for businesses and illegal activities (Zogli, Dladla, and Dlamini, 2021:414).

Objective two elucidates the legislation and practice governing South Africa's informal economy. This objective was achieved through consulting the literature in Chapter 3. The literature consulted (for example, Rogan and Skinner, 2017; Mahajan, 2014) revealed that the size of South Africa's informal economy is small compared to those in other African countries, such as Mali, Mozambique, and Kenya. Notably, however, the country's legacy of the

apartheid policy and planning is blamed for the size and nature of the informal economy (Mahajan, 2014). In fact, during apartheid (1948–1994), the National Party passed segregation laws that ensured white dominance throughout the country. This included relocating non-white South Africans from white city zones and ensuring that they received poor education, limiting their entry to high-paying occupations. In the 1970s, the government became tolerant and allowed highly educated non-white South Africans to advance in their careers. However, the informal economy became a resort for those without an education. Recognising this, the municipal councils were compelled to take a more liberal approach towards the informal economy, which led to the passing of the Business Act No 71 of 1991. This Act limited the ability to develop and implement trade-retraining legislation. Instead, the Act increased informal street traders operating in urban areas (Lund and Skinner, 2004). However, the 1991 Businesses Act was amended in 1993 to give the provincial government discretion to pass legislation while the local government formulated by-laws regulating the operations of street traders and outlined restricted trading zones (Skinner, 2018).

It was in 1994 that the newly elected democratic government started to acknowledge and recognise micro and survivalist enterprises through the Provincial Growth and Development Strategy (PHDS) of 1996. The strategy outlined the objectives and methods to support the informal economy. Notably, however, the strategy has yet to be fully implemented.

The government passed the National Small Business Amendment Act No. 24 of 2004 to support small and medium enterprises. This was followed by the establishment of the Small Enterprise Development Agency, the Ntsika Enterprises Promotion Agency, the National Manufacturing Advisory Centre, and the Community Public-Private Partnership Programme (National Credit Regulator, 2011). Ntsika aimed to provide business services with management and enterprise programmes, technology transfer, market access, and business development. However, Devey et al. (2003:13) argued that Ntsika's goals were unrelated to informal businesses. On the other hand, the Manufacturing Advisory Centre's activities were to provide sector-specific advisory services to SMMEs operating in the manufacturing sector and create a platform to increase their productivity and international competitiveness. However, this did not penetrate the informal economy.

Furthermore, despite the Small Enterprise Finance Agency (SEFA) being established in 2012 as part of the Department of Trade and Industry's mission to assist with SMME financing, the agency was unsuccessful (Skinner, 2019). Devey et al. (2003) attributed this to a failure to consider informal enterprises' challenges because their requirements only represent formal enterprises. In the same year (2012), the government adopted the National Development Plan (NDP) to articulate the country's development goals. Although the NDP recognises the informal economies in meeting employment targets by 2030; the role of the informal economy

in meeting these targets is not clearly articulated. The Department of Trade and Industry proposed the National Informal Business Upliftment Strategy (NIBUS). The strategy required the government to establish an “enabling policy and regulatory environment, as well as a programming environment that will promote and support the transition of informal enterprises to the mainstream formal economy” (DSBD and ILO, 2016:3). It was hoped that this would provide a foundation to which informal businesses would eventually formalise their process. However, bureaucratic procedures have made it difficult for informal businesses to transition to the formal economy. Moreover, NIBUS has not been effective due to the confusion regarding the definition of the informal economy and informal sector as well as about whom the two concepts are intended for (Skinner, 2006:428).

Objective three: To evaluate the approach toward the informal economy and how such efforts have affected livelihoods in the Mangaung Metropolitan Municipality.

The third objective was necessary for establishing the current approach of the Mangaung Metro towards the informal economy. In addition, objective three provided a reference through which recommendations could be made for the study. However, interviews with respondents revealed that the municipality has yet to engage with stakeholders to develop ways to positively impact upon informal traders' livelihoods. Local economic development is vital in achieving sustainable development, and this will require LED activities to be inclusive and promote informal sector activities to tackle poverty, unemployment, and inequality.

The Mangaung Metropolitan Municipality has committed itself to facilitating and supporting the growth of the informal economy in the region. The focus has been on those informal enterprises with at least two employees and the potential to transition to the formal economy and become sustainable Small and Medium Enterprises (see section 4.5.11).

The Municipality has a unit dedicated to the registration of informal traders. Through this function, the municipality can identify trading spaces and create an environment where formal and informal businesses can operate. Accordingly, the informal traders registered on the municipal database receive training from state institutions such as SEDA and the Sectorial Education and Training Authority (SETA) on the best business practices they can adopt in running their businesses (see sub-section 4.5.8). Although the municipality does not offer financial assistance to informal traders, it is committed to facilitating the process (see section 4.5.6.5) through which they can access the needed funding to grow their businesses and contribute to healthy livelihoods. Indeed, the official from the municipality indicated that during the COVID-19 pandemic, a process was established for traders to access funding, and the DESTEA was responsible for distributing relief funds.

The municipality's approach towards informal trading in Mangaung was motivated by the municipal council's realisation that formal business started to migrate towards the north of the city between 2000 and 2001. As a result, the council, in conjunction with the informal economy association and informal traders, proposed that a law enforcement directorate be established and by-laws governing informal trading be formulated and implemented. A consensus was reached that informal traders be issued trading permits, and because of this, an average of 50 traders received their permits (African Institute for Community-Driven Development (2005) section 4.5.64)). However, this number has declined significantly due to the municipality's decision to allocate Tuesday to dealing with informal traders' registrations. Notably, the sample of informal traders in the study highlighted that they had visited the municipal offices to register and be issued trading permits only to be told that the persons working on informal traders' registration were unavailable or that they should use online platforms to register (see section 4.5.6.4). However, findings revealed that the Metro needs an LED strategy that recognises the role and value of informal sector activities.

Objective four: To recommend how the informal sector contributes more sustainably and inclusively to an LED.

The Constitution mandates that South African municipalities promote economic development and create a conducive environment for business (RSA, 1996). This includes managing the informal sector activities. In chapter four, the traders were asked about the support they would like to receive from the municipality and associated institutions (DESTEA, SEDA, and Informal Economy Association). Although the traders mentioned they want to receive funding and better infrastructure, they did highlight that they have yet to receive support and promises that never materialised (see section 4.5.9). Unfortunately, this was more prevalent with informal traders operating in the location. Officials from the municipality, DESTEA, SEDA, and informal economy association were asked about the support each institution provides to informal traders, and they highlighted the following areas of support (see section 4.5.8).

- Infrastructure provision essential for operating and storage.
- Skills development in the form of workshops.
- Protection from harassment from law enforcement officials.

The officials were asked about their engagement with the informal traders. It was revealed that attention is paid to informal traders operating in the CBD, and those in the location should be included. However, one official indicated that in the location, the problem is with the locals who sell or rent out their market stalls to foreign nationals. Moreover, as shown above, when

answering objective three, the Metro has no LED strategy that recognises the role and value of informal sector activities. As a result, this reveals a disconnection between the municipality and informal traders.

5.3 RECOMMENDATIONS

This section provides the study recommendations for participants: Mangaung Metropolitan Municipality, COGTA, SEDA, the informal economy association, and informal traders.

5.3.1 Recommendations for the Municipality

The main recommendation is for the Mangaung Metro to promote LED and ensure that informal traders participate in LED activities. This, however, should include supporting informal economy participants, as it would enable the municipality to achieve an inclusive and sustainable LED. In Ghana, for example, the structural adjustment programmes that were implemented in the 1980s saw people seeking individual economic activities as a means of survival (Oduro-Ofori, 2011 in section 2.4.1). As a result, the informal sector is thriving across the country, contributing significantly to Ghana's GDP. The municipality can accomplish this by implementing the following study recommendations:

- Recognise informal traders in the location.

The findings in chapter four revealed that municipal support for informal traders is limited to those operating in the CBD while those in the location are not supported. As a result, the study recommends that the municipality start recognising traders in the location as contributors to inclusive LED and municipal councils need to ensure that there's political will and maintain active negotiation with informal traders. This should include viewing and promoting informal traders as industrial clusters contributing to income generation, employment creation, convenience shopping, and economic participation.

- Promote mixed economies.

The focus of the LED processes on attracting formal business reduces the creation of a sense of local competitiveness. Moyo (2007) (see section 2.6.1) argued that the LED effort tend to ignore the informal economy and focuses on formal economy processes and their ability to create job and income opportunities. A mixed economy will create one that meets and represents a larger inclusive community. Furthermore, a mixed economy will enable the municipality to secure a vibrant local economy, a more significant competitive edge, and a

higher contribution towards the local GDP. The City Alliance (2017:55) confirms that a hybrid economy will further draw on strengths of both the informal and formal economy and minimise the weaknesses inherent in a single approach. This also helps achieve sustainable and equitable development where the informal economy is assisted to strengthen its value networks and add to the whole urban ecosystem. However, as Chen (2014) noted, the challenge remains for policymakers to buy into the idea that micro businesses can co-exist and operate side-by-side with small, medium, and large businesses and that informal street vendors can co-exist alongside formal kiosks and large shops and malls.

- Increase the flow of information on available business support and opportunities.

The study showed a general need for more information on the support and opportunities offered by the municipality to informal businesses in the city. Therefore, the study recommends that the municipality hold awareness sessions with all the informal economy participants in the Mangaung region. In this regard, the communication directorate of the municipality should be involved in distributing information to local radio stations and newspapers to reach a larger community of informal economy participants.

- Infrastructure provision

The findings revealed that infrastructure remains a concern for informal traders (see section 4.5.6.2). The informal traders cited that the infrastructure provided by the government should at least have storage space, toilet facilities, and adequate trading facilities. In addition, infrastructure is needed to allow them to continue with business operations despite weather conditions (see section 4.5.6.1). Although these are already highlighted, the study recommends that officials compile a detailed register of the needs and issues experienced by informal traders operating in the CBD and the Batho Location. In the case where the municipality, in collaboration with stakeholders, has identified commercial space or a building for traders to use and rent, it is important to remember that not all the informal traders can afford the market-related prices. Therefore, the study recommends making a subsidy available for informal traders.

- Provide incentives similar to those provided to the formal sector.

As highlighted, the informal sector needs to be supported as a foundation to future formal sector entrepreneurship. The government can incentivise informal economy participants through loans, government contracts and tenders, marketing and credit facilities, and training. This can increase the number of businesses that formalise or strengthen the presence of

informal businesses. Furthermore, this action will benefit the government, especially the municipality, because it will increase the country's GDP and improve LED for Mangaung.

- Issue municipal business permits.

Municipal business permits were highlighted as a prolonged problem by the officials. The traders in the sample highlighted that they have no permits, while others said they had visited municipal offices to apply for a permit but have yet to yield any success and thus stopped in their attempts to obtain one (see section 4.5.6.4). The municipality must ease the process of registering informal enterprises and hire the unemployed (as data capturers) to visit the CBD and locations to register all the traders. The data capturers must be trained to encourage, inform, and educate informal economy participants about registering and the incentives available to those that have registered their businesses with the municipality.

- Improve coordination and collaboration between departments and support agencies.

There needs to be more coordination and collaboration between the municipality and the departments and agencies, particularly in supporting the development of the informal sector. For example, DESTEA, through the LED directorate, aims to integrate their service delivery mandate with relevant LED projects and help create a conducive environment for business in Mangaung and the Free State in general. Although the IDP and LED programmes appeared to be assisting in ensuring coordination between different government departments and stakeholders from both the public and private sectors, the promotion of the informal economy seems to be missing from Mangaung's strategies in its LED programme. Therefore, it is suggested that coordination and collaboration in respect of LED be strengthened and a move towards a bottom-up approach be pursued. According to Tshofuti (2016:136), municipalities promoting a bottom-up approach to LED have achieved greater community participation and enhanced empowerment.

- Amend and implement the by-laws on informal street trading.

The existing by-laws on the informal economy, particularly informal street trading, seem to apply to the traders operating in the CBD rather than in the locations. In addition, the by-laws need to be clearer on the process that foreign informal traders must follow and comply with. The officials at DESTEA highlighted that the incoming Local Economic Development Integrated Bill would help govern how foreign nationals entering the sector must be governed (see section 4.5.8). However, this will require coordinated actions between the department and the municipality. According to the African Institute for Community-Driven Development

(2005), the by-laws are designed for the formal economy leaving out the informal sector. Similarly, Philip (2018) (see section 3.5.1) highlighted that economic concentration in the legal sector is a structural barrier to the informal sector. In this regard, it is essential to recognise that there is no one-size-fits-all, and the by-laws should be reviewed, conceptualised, and enforced.

- Improve access to funding.

The lack of start-up capital was highlighted as one of the main reasons informal traders and informal economy participants, in general, started their businesses in the informal sector. Accordingly, some respondents highlighted their entrapment because of funding and them not making enough profit. Masuku and Nzweni (2021:65) (see section 3.10) also noted that the informal traders in the Duncan Village operate without financial assistance from banking institutions or government funding sectors. The government and municipality can relieve participants in the informal economy of these constraints by allying with financial institutions to make credit available to those in the informal economy. The requirements should be more comprehensive and include more than just those willing to formalise their business. Instead, informal traders should be allowed to apply for small business loans and a requirement must be that they ensure they have formalised within a provided period. This could also attract new entrants to the informal sector and add to the local economy.

- Capacitate the LED unit.

The Mangaung Metropolitan Municipality intends to improve economic growth and fast-track the regeneration of the CBD. The two strategies are defined in the IDP and can be achieved through inward investment, local purchasing, SMME development, and skills development. However, the LED unit established needs to be more staffed. This argument is supported by Lund and Skinner (2004:431) who assert that the lack of skills within the LED directorate of South African municipalities has made it almost impossible to accelerate service delivery and meet the constitutional obligation of promoting economic development.

5.3.2 Recommendations for Street Traders

The interviews with informal street traders revealed their need for more awareness and timely and reliable information. The study thus recommends that they actively educate themselves on the structures available to support them and the business opportunities available. Most informal traders in the sample mentioned they went to university or college and are in possession of a qualification(s), the others managed to attend up to secondary and did do or

pass matric. Other respondents had no formal education (see section 4.5.1). Given the strong correlation between education and starting a business, it is thus recommended that traders change their perspective on workshops and training provided to them. The training can help them gain an insight into business functions needed to succeed in business, such as business marketing, bookkeeping and financial management, and basic literacy. The channels provided by SEDA and Sectoral Education and Training Authority are important in this regard.

5.3.3 Recommendations for DESTEA

DESTEA provides financial and non-financial assistance to those doing business in the informal economy. They help with buying the equipment needed to do business. In contrast, non-financial activities include training to ensure that informal businesses are sustainable. However, the sample of informal traders in the study highlighted that they needed to learn about the support provided to them by DESTEA and are yet to be approached by the department. It is thus suggested that the directorate dealing with local and enterprise development and economic planning hold information sessions to inform the traders about their role in the informal economy. The department will also need to have its own database of informal traders, which should be used to keep track of the traders that have received assistance from the department. This will help change the mindset that traders and the association have that only certain traders receive help from the department.

5.3.4 Recommendations for SEDA

Although SEDA provides training and workshops on business and financial management, marketing, and basic record keeping, the Agency must seek collaboration with higher learning institutions in the region. It is believed that this will contribute to the overall management of informal enterprises. Most of the informal traders revealed that they had stopped attending training, citing that the time that training or workshops take place only allows them to leave or close their business (see section 4.5.9). Thus, the SEDA should establish communication with the Informal Economy Association and use platforms available at the association's disposal to negotiate a time suitable for the traders to attend training or workshops. One of the traders revealed that she received various certificates from SEDA but has since deemed them useless. Unfortunately, this has discouraged some traders from attending training and workshops. Therefore, SEDA must keep a record of informal economy participants who have attended training with them and publish success stories to attract and encourage others to attend training and workshops. This will also create awareness and help the Agency attract a wider informal economy participant audience.

5.3.5 Recommendations for the Informal Economy Association

The interviews revealed that most informal traders in the CBD and Batho Location have yet to learn of the informal economy association and their role. It was also established that the association has WhatsApp, limited to only a few businesses operating in the CBD (see section 4.5.9). Thus, it is recommended that the Association increase their social media presence to attract a wider audience of informal economy participants in Mangaung and other regions. This will enable them to grow their database, which was revealed to comprise only 2 500 informal traders who operate in the CBD but not those in the locations. The database must be updated periodically because of new and existing entrants to the sector.

The informal economy association must collaborate with informal economy participants to enhance their bargaining power when negotiating access to finance. The association must also establish a discipline for complying with formal sector business practices, which will increase accountability in the informal economy.

5.3.6 Future Research

This study aimed to determine how the informal economy can contribute to LED, and the focus was on the informal traders operating in the CBD and Batho Location. Based on the limitation of this study in reaching a wider audience of informal economy participants in Mangaung, it is thus recommended that further research be conducted using a more significant sample and a mixed methodology. It was further revealed that most informal traders in the Batho Location had sold or rented out their market stalls to foreign nationals (see section 4.5.8). It is against this backdrop that opportunities for further research have been identified:

- The need to investigate further why locals sell or rent out their stalls or backyard shops to foreign nationals and how this has impacted on the livelihoods of the foreign nationals and the previous owners.

This research revealed some elements of the urban-rural migration of informal traders. Therefore, it is suggested that research be undertaken to see how the facilitation of LED can be used to bridge the gap between urban and rural migration. The investigation can be further extended to include the flow of migrants from Lesotho to Mangaung.

5.4 CONCLUSION

The Constitution of South Africa (1996) mandates local governments to ensure the development of the local economy and create a conducive environment for businesses in the communities under their jurisdiction. Local economic development provides a tool for achieving this mandate. However, attention has been on the formal economy for job creation and poverty alleviation. The informal economy has been recognised worldwide for contributing to work and income opportunities and improving people's livelihoods. This is also relevant in the case of Mangaung, as informal traders cited that they joined the informal sector to make an income, avoid unemployment, escape poverty, facilitate urban-rural migration, and have flexible trade. However, the study revealed that although the informal sector continues to rise for the reasons mentioned above, the informal traders in both the CBD and Batho Location are confronted by obstructions, including by-laws, non-registration, funding, and a shortage of business space and storage. This chapter provided recommendations for the study and a conclusion. Table 8 summarises the key findings and recommendations from this study.

Table 8: Summary of Crucial Findings and Recommendations from This Study

Themes	Findings	Recommendations
Defining the informal economy	The informal economy is defined as a segment of unemployed people willing to start their business but needing more capacity to start a formal business.	There is a need for a universal definition that the government and informal economy participants can use to define the informal economy.
Reasons for starting a business.	The informal traders are old and young (male and female) people who have started primary school but have yet to finish, while others managed to complete matric and have a qualification. Most traders entered the informal economy for employment and survival and have now been in the sector for less than two years, and others for 20-30 years. The products sold are fruit and vegetables, traditional medicines and herbs, fast food, and cell phone repair services.	

Challenges	The challenges that informal traders face includes severe weather conditions, hygiene and cleanliness, business registration, inability to access or obtain funding, and the proliferation of foreign nationals who have entered the informal sector.	Compile a detailed register of the needs and issues that are faced by informal traders. When the municipality has identified commercial space or a building for traders to use and rent, it is important to remember that not all the traders can afford market-related prices. Therefore, the study recommends making a subsidy available for informal traders.
Covid-19 Impact on Business and Livelihoods	Respondents lost the ability to make an income due to restrictions imposed by the government on the movement of people and informal trading during the COVID-19 pandemic. The informal traders interviewed did not receive relief grants intended to support them. Trading permits remained an issue.	Develop a database of informal traders and update it periodically. Identification documents can be used to verify the informal traders who do not have trading permits.
Support to the informal economy	Government institutions such as SEDA have helped informal traders with the drafting of business plans and how to register their businesses with SARS. However, infrastructure provision is an ongoing problem. The support provided by SEDA does not apply to informal traders selling branded clothing items unless they own the brand. Foreign informal traders are not supported. A government official indicated they need help with informal traders selling and renting their market stalls to foreign nations. This creates a problem since the department would have identified them for support.	Present awareness sessions with all the informal economy participants in the Mangaung region and involve local radio stations and newspapers to reach a larger community of informal economy participants.
Stakeholder engagement with informal traders	The respondents all agreed that the current level of engagement and support between stakeholder groups and informal economy participants needs to be increased. Most of the engagement, however, is with the informal traders operating in the CBD, and those in the location	Recognise traders in the location as contributors to inclusive LED, and municipal councils need to ensure that there's political will and maintain active negotiation with informal traders. This should include viewing and promoting informal traders as industrial clusters contributing to income

	indicated that they have yet to hear or receive any support from the government.	generation, employment creation, convenience shopping, and economic participation.
Collaboration between stakeholders	The respondents indicated they needed help engaging or collaborating with the officials from the Mangaung Metropolitan Municipality. It was highlighted that the situation is exacerbated by ongoing national government intervention and the change of officials, mainly from the LED office. Another problem concerns political will and the planning and implementation of LED activities.	Strengthen coordination and collaboration around LED, and a move towards a bottom-up approach be pursued.
Transiting to formalisation	Formalisation of informal businesses is supported since it will ensure that the government can identify the informal traders and know where they conduct their businesses. However, respondents highlighted that formalisation tends to worsen the harassment and discrimination of informal traders. Another respondent highlighted that they must encourage informal traders to formalise as they would have to pay SARS.	Incentivise informal traders through loans, government contracts and tenders, marketing and credit facilities, and training.
Current by-laws and policy on the informal economy	The by-laws on informal street trading have yet to be amended and are blamed for why informal traders are never included in LED activities. The municipality has capacity challenges and need the necessary personnel with the knowledge and experience to implement the bylaws. In addition, collaboration with other stakeholders to ensure the effective implementation of the by-laws and policies on the informal economy is a challenge.	It is essential to acknowledge that there is no one-size-fits-all, and the by-laws should be reviewed, conceptualised, and enforced.
Issues with LED in MMM	The municipality LED is hindered by a lack human resource capacity, lack of investment in the local economy, which is exacerbated by distorted linkages between the municipality and the business sector, and a lack political will and interference.	Capacitate the LED unit of the Mangaung Metropolitan Municipality.

The study concludes that the informal economy activities provide employment and income opportunities, which can help reduce the number of people living in poverty and improve livelihoods. To this, its support for development of the informal economy can ensure that LED is sustainable and inclusive.

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APPENDICES

Appendix A: Ethics Approval Letter

Appendix B: Permission to Conduct the Study: MMM

Appendix C: Permission to Conduct the Study SEDA

Appendix D: Permission to Conduct the Study DESTEA

Appendix E: Interview Questions with Mangaung Metropolitan Municipality Officials

Appendix F: Interview questions with SEDA Officials

Appendix G: Interview Questions for DESTEA Officials

Appendix H: Interview Questions with Chairpersons of the Informal Economy Association

Appendix I: Interview Questions Informal Street Traders (English)

Appendix J: Interview Questions with Informal Street Traders (Sesotho)

Appendix K: Example of Information Sheet and Consent Form

Appendix L: Letter from Language Editor

Appendix M: Plagiarism Receipt and Report

APPENDIX A: ETHICS APPROVAL LETTER



GENERAL/HUMAN RESEARCH ETHICS COMMITTEE (GHREC)

01-Dec-2022

Dear Mr Tshalofelo Modirapula

Application Approved

Research Project Title:

The Informal Economy in Promoting Local Economic Development: The Case of Mangaung Central Business District

Ethical Clearance number:

UFS-HSD2022/1097/22

We are pleased to inform you that your application for ethical clearance has been approved. Your ethical clearance is valid for twelve (12) months from the date of issue. We request that any changes that may take place during the course of your study/research project be submitted to the ethics office to ensure ethical transparency. Furthermore, you are requested to submit the final report of your study/research project to the ethics office. Should you require more time to complete this research, please apply for an extension. Thank you for submitting your proposal for ethical clearance; we wish you the best of luck and success with your research.

Yours sincerely

Dr Adri Du Plessis

Chairperson: General/Human Research Ethics Committee

Adri
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Appendix B: PERMISSION LETTER: MANGAUNG METROPOLITAN MUNICIPALITY



REQUEST FOR PERMISSION TO CONDUCT RESEARCH

Dear City Manager: Mangaung Metropolitan Municipality

I am undertaking research that will impact your municipality, particularly the Local Economic Development Directorate. This letter requests your permission to interact with local economic development officers and informal street traders identified as respondents for the study. The project is scheduled as follows:

Date of research project: November - December 2022

TITLE OF THE RESEARCH PROJECT

Informal economy in promoting local economic development: The case of Mangaung Central Business District

PRINCIPLE INVESTIGATOR / RESEARCHER(S) NAME(S) AND CONTACT NUMBER(S):

Tshalofelo David Modirapula 2011152036 071 932 8080

FACULTY AND DEPARTMENT:

Economic and Management Sciences

Centre for Development Support (CDS)

STUDYLEADER(S) NAME AND CONTACT NUMBER:

Professor Deidre van Rooyen (UFS staff member)

051 401 7059



WHAT IS THE AIM / PURPOSE OF THE STUDY?

The aim of the study is to investigate how the informal economy, as a safety net from the formal economy during economic crises, contributes to the local economy. This research will be demonstrated using the informal street traders operating in the Mangaung Central Business District, Free State as examples.

WHO IS DOING THE RESEARCH?

The researcher is Tshalofelo David Modirapula, a Master of Development Studies candidate at the University of the Free State and an Academic Facilitator under the Department of Public Administration at the University of the Free State. This research has been conducted as part of the curriculum to add to the knowledge about the informal economy and local economic development (LED). On the one hand, this research will reveal how the informal economy can generate economic opportunities and create multiplier effects nationally and locally. On the other hand, it is hoped to unearth the economic, social, environmental, political, and operational challenges that hold back the informal economic activities. Currently, there is a lack of research on the topic in Mangaung, particularly following the COVID-19 pandemic. Therefore, it is hoped this project will help close the theoretical gap and put forward recommendations for the directorate and Mangaung Metropolitan Municipality in dealing with the informal sector while ensuring that the objective of LED strategy in place are achieved.

HAS THE STUDY RECEIVED ETHICAL APPROVAL?

This study has received approval from the Research Ethics Committee of UFS (see appendix A). **Approval number for is UFS-HSD2022/0761.**

WHY ARE YOUR INSTITUTION/ORGANISATION/COMPANY INVITED TO TAKE PART IN THIS RESEARCH PROJECT?

The employees at the Mangaung Metropolitan Municipality will be selected for this study due to their knowledge, extensive experience, and perspectives regarding the informal economy or informal street trading in Mangaung. The researcher will visit the offices of support institutions and associations. The telephone numbers of the correct officials will be obtained so that the researcher can establish an appointment through a telephone conversation. The

researcher purposively selected these officials because of their work roles in LED in Mangaung and the informal economy. Mangaung Metropolitan Municipality, familiar with other municipalities in South Africa, is constitutionally mandated to promote social and economic development. Furthermore, the municipality must create a conducive business environment. At the same time, local authorities must continuously engage community participation in the municipal process and the local economy. This highlights the importance of the municipality in the study; thus on local economic development manager will be interviewed. This study will also include informal street traders (registered with the municipality) operating in Mangaung Central Business District and Batho location. Ten traders from each location will be selected each location. The inclusion of informal street traders will improve the study's validity as well as the responses from the officials, furthermore, informal street traders will be influenced by the experiences (positive and negative) they have had and how the municipality's efforts towards the informal economy have impacted their livelihoods. Ultimately, the inclusion of informal street traders will be done to meet the fifth researcher objective, which is to make recommendations on how the informal sector can be strengthened to contribute to LED that is sustainable and inclusive.

WHAT IS THE NATURE OF PARTICIPATION IN THIS STUDY?

As reflected in the paragraphs above, the selected participants will provide the researcher with information by answering interview questions on the municipality's approach toward the informal economy. The study will use semi-structured interviews that can be conducted face-to-face. All interviews will be audio-recorded, and all questions will be open-ended to allow participants to provide the researcher with any information he might not be aware of. The estimated time for each interview is 45 minutes and will be in English. The use of English in these interviews is because government officials mainly use it in all government communications.

WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?

There will be no direct benefits to your participation in this study. However, by participating, you will be assisting the researcher in learning more about the Mangaung informal economy and how the municipality interacts with the sector, thereby tapping into its potential benefits for achieving the goals of the implemented LED strategy. Furthermore, your contribution to this study will benefit the department and municipality in uncovering ways to incorporate the informal sector into the economy and including it in planning in the future.

WHAT ARE THE POTENTIAL RISKS TAKING PART IN THIS STUDY?

There are no known risks that can be associated with this study. However, should you experience discomfort in answering any questions, you may withdraw your participation from the study.

WILL THE INFORMATION BE KEPT CONFIDENTIAL?

Yes. The researcher is responsible for assuring participants that their details and information will not be disclosed to anyone under any circumstances. To ensure anonymity and privacy, information such as their names, addresses, or contact details will be recorded using codes. Answers from all participants will be recorded a fiction code number or a pseudonym. They will be referred to in this way in the data in any publications or other researcher reporting methods such as conference proceedings. Only the researcher and the transcriber (who will be required to sign a confidentiality agreement) will have access to the data. Other people will access documents pending the participants' approval. However, to ensure that the research was done properly, the Research Ethics Committee and an external coder will review the work and provide the answers. Please take note that the details and information that can be used to identify you will only be available to the researcher and, in any case, will not be used for exploitation and personal gain. However, data can be used when writing research reports, journal articles, and conference presentations. Likewise, privacy will be prioritised, and the researcher will make use of codes instead of actual names. Moreover, for study purposes, a report may be submitted for publication, but your details will remain unidentifiable in such a report.

HOW WILL THE INFORMATION BE STORED AND ULTIMATELY DESTROYED?

Hard copies of your answers will be stored by the researcher for five years in a locked portable external driver for future research or academic purposes; and electronic information will be stored on a password-protected computer. Future use of the stored data will be subject to further research ethics review and approval if applicable. Data on audiotapes will be destroyed by recycling (tape over) and data on the portable external drive will be overwritten or formatted. As already highlighted, there is no immediate risk that can be associated with the study. However, in the case that the participants are identified and face potential harm by those who may feel misrepresented or undermined by the information that was provided, the researcher can only ask for the participants to think through their answers and give answers that make it almost impossible to easily identify them. There will be no insurance coverage for participants.

WILL THERE BE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?

There will be no payment or reward offered for participating in the study. Concerning the costs that the participants may incur, taking into consideration that interviews may be conducted online, the researcher will advise participants who do not have access to fast and reliable internet connectivity to move to do interviews face-to-face.

HOW WILL THE INSTITUTION / ORGANISATION / COMPANY BE INFORMED OF THE FINDINGS / RESULTS OF THE STUDY?

If you would like to be informed of the final research findings, please contact Tshalofelo David Modirapula on 071 932 8080 or ModirapulaTD@ufs.ac.za. The findings are accessible for seven (7) years. Should you require any further information or want to contact the researcher about any aspect of this study, the details provided above can be used. However, if you have concerns about how the research has been conducted, you may contact Professor Diedre van Rooyen at griesd@ufs.ac.za. There are no known risks associated with the study, and this is largely because the details of participants will be recorded using codes.

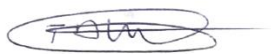
Yours sincerely



Tshalofelo David Modirapula

Date: 08/11/2022

APPROVED / ~~Not APPROVED~~



City Manager



Appendix C: PERMISSION LETTER: SEDA



REQUEST FOR PERMISSION TO CONDUCT RESEARCH

Dear **Branch Manager: SEDA**

I am undertaking research that will impact your institution. This letter requests your permission to interact with business advisors identified as respondents to the study. The project is scheduled as follows:

Date of research project: November - December 2022

TITLE OF THE RESEARCH PROJECT

Informal economy in promoting local economic development: The case of Mangaung Central Business District

PRINCIPLE INVESTIGATOR / RESEARCHER(S) NAME(S) AND CONTACT NUMBER(S):

Tshalofelo David Modirapula 2011152036 071 932 8080

FACULTY AND DEPARTMENT:

Economic and Management Sciences

Centre for Development Support (CDS)

STUDYLEADER(S) NAME AND CONTACT NUMBER:

Professor Deidre van Rooyen (UFS staff member)

051 401 7059



WHAT IS THE AIM / PURPOSE OF THE STUDY?

The study aims to investigate how the informal economy, as a safety net from the formal economy during economic crises, contributes to the local economy. This research will be demonstrated using the informal street traders operating in the Mangaung Central Business District, Free State as examples.

WHO IS DOING THE RESEARCH?

The researcher is Tshalofelo David Modirapula, a Master of Development Studies candidate at the University of the Free State and an Academic Facilitator under the Department of Public Administration at the University of the Free State. This research has been conducted as part of the curriculum to add to the knowledge about the informal economy and local economic development (LED). On the one hand, this research will reveal how the informal economy can generate economic opportunities and create multiplier effects nationally and locally. On the other hand, it is hoped to unearth the economic, social, environmental, political, and operational challenges that hold back the informal economic activities. Currently, there is a lack of research on the topic in Mangaung, particularly following the COVID-19 pandemic. Therefore, it is hoped this project will help close the theoretical gap and put forward recommendations in dealing with the informal economy while ensuring that the objective of creating sustainable and inclusive growth as stipulated in the mission of the department is achieved.

HAS THE STUDY RECEIVED ETHICAL APPROVAL?

This study has received approval from the Research Ethics Committee of UFS (see appendix A). **Approval number for is UFS-HSD2022/0761.**

WHY ARE YOUR INSTITUTION/ORGANISATION/COMPANY INVITED TO TAKE PART IN THIS RESEARCH PROJECT?

The employees SETA were selected for this study due to their knowledge, extensive experience, and perspectives regarding the informal economy or street trading in Mangaung. AS a participant, You Are Believed to possess the knowledge relevant to the topic. The researcher will visit the offices of support institutions and associations. The telephone numbers of the correct officials will be obtained so that the researcher can establish an appointment through a telephone conversation. One participant from the Agency was interviewed: the business advisor.

WHAT IS THE NATURE OF PARTICIPATION IN THIS STUDY?

As reflected in the paragraph above, the selected participants will be providing the researcher with information by answering interview questions on the informal economy operations and local economic development in Mangaung. The study will make use of semi-structured interviews that can be conducted face-to-face, and all questions will be open-ended to allow participants to provide the researcher with any information that he might not be aware of. The estimated time for each interview is 45 minutes and will be in English. The use of English in these interviews is because government officials use it in all government communications.

WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?

There will be no direct benefits to your participation in this study. However, by participating, you will be assisting the researcher in learning more about the Mangaung informal economy and how the municipality interacts with the sector, thereby tapping into its potential benefits for achieving the goals of the implemented LED strategy. Furthermore, your contribution to this study will benefit the department and municipality in uncovering ways to incorporate the informal sector into the economy and including it in planning in the future.

WHAT ARE THE POTENTIAL RISKS TAKING PART IN THIS STUDY?

There are no known risks that can be associated with this study. However, should you experience discomfort in answering any questions, you may withdraw your participation from the study.

WILL THE INFORMATION BE KEPT CONFIDENTIAL?

Yes. The researcher is responsible for assuring participants that their details and information will not be disclosed to anyone under any circumstances. To ensure anonymity and privacy, information such as their names, addresses, or contact details will be recorded using codes.

Answers from all participants will be recorded a fiction code number or a pseudonym. They will be referred to in this way in the data in any publications or other researcher reporting methods such as conference proceedings. Only the researcher and the transcriber (who will be required to sign a confidentiality agreement) will have access to the data. Other people will access documents pending the participants' approval. However, to ensure that the research was done properly, the Research Ethics Committee and an external coder will review the work and provide the answers. Please take note that the details and information that can be used to identify you will only be available to the researcher and, in any case, will not be used for exploitation and personal gain. However, data can be used when writing research reports, journal articles, and conference presentations. Likewise, privacy will be prioritised, and the researcher will make use of codes instead of actual names. Moreover, for study purposes, a report may be submitted for publication, but your details will remain unidentifiable in such a report.

HOW WILL THE INFORMATION BE STORED AND ULTIMATELY DESTROYED?

Hard copies of your answers will be stored by the researcher for five years in a locked portable external driver for future research or academic purposes; and electronic information will be stored on a password-protected computer. Future use of the stored data will be subject to further research ethics review and approval if applicable. Data on audiotapes will be destroyed by recycling (tape over) and data on the portable external drive will be overwritten or formatted. As already highlighted, there is no immediate risk that can be associated with the study. However, in the case that the participants are identified and face potential harm by those who may feel misrepresented or undermined by the information that was provided, the researcher can only ask for the participants to think through their answers and give answers that make it almost impossible to easily identify them. There will be no insurance coverage for participants.

WILL THERE BE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?

There will be no payment or reward offered for participating in the study. Concerning the costs that the participants may incur, taking into consideration that interviews may be conducted online, the researcher will advise participants who do not have access to fast and reliable internet connectivity to move to do interviews face-to-face.

HOW WILL THE INSTITUTION / ORGANISATION / COMPANY BE INFORMED OF THE FINDINGS / RESULTS OF THE STUDY?

If you would like to be informed of the final research findings, please contact Tshalofelo David Modirapula on 071 932 8080 or ModirapulaTD@ufs.ac.za. The findings are accessible for seven (7) years. Should you require any further information or want to contact the researcher about any aspect of this study, the details provided above can be used. However, if you have concerns about how the research has been conducted, you may contact Professor Deidre van Rooyen at griesd@ufs.ac.za. There are no known risks associated with the study, and this is largely because the details of participants will be recorded using codes.

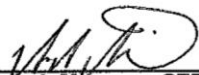
Yours sincerely

Tshalofelo David Modirapula

Date: 08/11/2022

APPROVED / ~~NOT APPROVED~~

Official SEDA Stamp


Branch Manager: SEDA
Date: 21/11/2022


Mangaung Branch
33 Sanlam Plaza, Charles Street
Bloemfontein, 9301



Appendix D: PERMISSION LETTER DESTEA



REQUEST FOR PERMISSION TO CONDUCT RESEARCH

Dear **HEAD OF DEPARTMENT: DESTEA**

I am Tshalofelo David Modirapula doing research and would like to request permission to conduct research at the Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA)

Date of research project: December 2022

TITLE OF THE RESEARCH PROJECT

Informal economy in promoting local economic development: The case of Mangaung Central Business District

PRINCIPLE INVESTIGATOR / RESEARCHER(S) NAME(S) AND CONTACT NUMBER(S):

Tshalofelo David Modirapula 2011152036 071 932 8080

FACULTY AND DEPARTMENT:

Economic and Management Sciences

Centre for Development Support (CDS)

STUDYLEADER(S) NAME AND CONTACT NUMBER:

Professor Deidre van Rooyen (UFS staff member)

051 401 7059



WHAT IS THE AIM / PURPOSE OF THE STUDY?

The study aims to investigate how the informal economy, as a safety net from the formal economy during economic crises, contributes to the local economy. This research will be demonstrated using the informal street traders operating in the Mangaung Central Business District, Free State as examples.

WHO IS DOING THE RESEARCH?

The researcher is Tshalofelo David Modirapula, a Master of Development Studies candidate at the University of the Free State and an Academic Facilitator under the Department of Public Administration at the University of the Free State. This research has been conducted as part of the curriculum to add to the knowledge about the informal economy and local economic development (LED). On the one hand, this research will reveal how the informal economy can generate economic opportunities and create multiplier effects nationally and locally. On the other hand, it is hoped to unearth the economic, social, environmental, political, and operational challenges that hold back the informal economic activities. Currently, there is a lack of research on the topic in Mangaung, particularly following the COVID-19 pandemic. Therefore, it is hoped this project will help close the theoretical gap and put forward recommendations in dealing with the informal economy while ensuring that the objective of creating sustainable and inclusive growth as stipulated in the mission of the department is achieved.

HAS THE STUDY RECEIVED ETHICAL APPROVAL?

This study has received approval from the Research Ethics Committee of UFS (see appendix A). **Approval number for is UFS-HSD2022/0761.**

WHY ARE YOUR INSTITUTION/ORGANISATION/COMPANY INVITED TO TAKE PART IN THIS RESEARCH PROJECT?

The employees DESTEA were selected for this study due to their knowledge, extensive experience, and perspectives regarding the informal economy or street trading in Mangaung. Furthermore, the inclusion of your department in the study is derived from the mission of the institution, which is to ensure that economic growth in the Free State is sustainable and benefits the province and its people, including establishing a progressive policy framework to promote wealth creation and equitable wealth distribution for economic transformation. The researcher will visit the office of sport institutions and associations. The telephone numbers of

the correct official, so that the researcher can establish an appointment through a telephone conversation. The researcher purposively selected participants because of their respective work roles on LED and the informal economy in Mangaung. Two participants from the departments will be interviewed: Managers on researcher and economic planning, and a manager on enterprise development.

WHAT IS THE NATURE OF PARTICIPATION IN THIS STUDY?

As reflected in the paragraph above, the selected participants will be providing the researcher with information by answering interview questions on the informal economy operations and local economic development in Mangaung. The study will make use of semi-structured interviews that can be conducted face-to-face, and all questions will be open-ended to allow participants to provide the researcher with any information that he might not be aware of. The estimated time for each interview is 45 minutes and will be in English. The use of English in these interviews is because government officials use it in all government communications.

WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?

There will be no direct benefits to your participation in this study. However, by participating, you will be assisting the researcher in learning more about the Mangaung informal economy and how the municipality interacts with the sector, thereby tapping into its potential benefits for achieving the goals of the implemented LED strategy. Furthermore, your contribution to this study will benefit the department and municipality in uncovering ways to incorporate the informal sector into the economy and including it in planning in the future.

WHAT ARE THE POTENTIAL RISKS TAKING PART IN THIS STUDY?

There are no known risks that can be associated with this study. However, should you experience discomfort in answering any questions, you may withdraw your participation from the study.

WILL THE INFORMATION BE KEPT CONFIDENTIAL?

Yes. The researcher is responsible for assuring participants that their details and information will not be disclosed to anyone under any circumstances. To ensure anonymity and privacy, information such as their names, addresses, or contact details will be recorded using codes. Answers from all participants will be recorded a fiction code number or a pseudonym. They will be referred to in this way in the data in any publications or other researcher reporting

methods such as conference proceedings. Only the researcher and the transcriber (who will be required to sign a confidentiality agreement) will have access to the data. Other people will access documents pending the participants' approval. However, to ensure that the research was done properly, the Research Ethics Committee and an external coder will review the work and provide the answers. Please take note that the details and information that can be used to identify you will only be available to the researcher and, in any case, will not be used for exploitation and personal gain. However, data can be used when writing research reports, journal articles, and conference presentations. Likewise, privacy will be prioritised, and the researcher will make use of codes instead of actual names. Moreover, for study purposes, a report may be submitted for publication, but your details will remain unidentifiable in such a report.

HOW WILL THE INFORMATION BE STORED AND ULTIMATELY DESTROYED?

Hard copies of your answers will be stored by the researcher for five years in a locked portable external driver for future research or academic purposes; and electronic information will be stored on a password-protected computer. Future use of the stored data will be subject to further research ethics review and approval if applicable. Data on audiotapes will be destroyed by recycling (tape over) and data on the portable external drive will be overwritten or formatted. As already highlighted, there is no immediate risk that can be associated with the study. However, in the case that the participants are identified and face potential harm by those who may feel misrepresented or undermined by the information that was provided, the researcher can only ask for the participants to think through their answers and give answers that make it almost impossible to easily identify them. There will be no insurance coverage for participants.

WILL THERE BE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?

There will be no payment or reward offered for participating in the study. Concerning the costs that the participants may incur, taking into consideration that interviews may be conducted online, the researcher will advise participants who do not have access to fast and reliable internet connectivity to move to do interviews face-to-face.

HOW WILL THE INSTITUTION / ORGANISATION / COMPANY BE INFORMED OF THE FINDINGS / RESULTS OF THE STUDY?


If you would like to be informed of the final research findings, please contact Tshalofelo David Modirapula on 071 932 8080 or ModirapulaTD@ufs.ac.za. The findings are accessible for seven (7) years. Should you require any further information or want to contact the researcher

about any aspect of this study, the details provided above can be used. However, if you have concerns about how the research has been conducted, you may contact Professor Diedre van Rooyen at griesd@ufs.ac.za. No known risks are associated with the study, and this is largely because the details of participants will be recorded using codes.

Yours sincerely

Tshalofelo David Modirapula

Date: 08/11/2022

 APPROVED / Not APPROVED

Appendix E: INTERVIEW QUESTIONS WITH MANGAUNG METROPOLITAN MUNICIPALITY OFFICIALS

1. How would you define the informal sector?
2. What are the current by-laws for informal street traders, and what is the success rate in implementing those by-laws?
3. How does the municipality measure the inclusivity of the poor, young and old people in Mangaung?
4. Are there any business support programmes to assist informal street traders?
5. Tell me about the municipality's efforts to support street traders before and during the covid-19 pandemic?
6. What three contributions have the municipality made toward formalising informal activities and incorporating them into local economic activities?
7. Is there a qualifying criterion when assisting informal traders?
8. What challenges have the municipality faced in assisting informal traders?
9. What are the challenges that informal traders in Mangaung experience?
10. Is there a difference on how the municipality regulates and supports informal trading kiosk or shops operated by foreign national and locals?
11. Is there any information you would like to add?

THANK YOU FOR YOUR CO-OPERATION!!!!

Appendix F: INTERVIEW QUESTIONS WITH SEDA EMPLOYEES

1. How do you define informal street trading?
2. What does registering an informal street trader business entail, and what are the requirements for registration?
3. What are the benefits for informal street traders registered with SEDA?
4. Has SEDA assisted informal street traders during and after the Covid-19 pandemic, and how?
5. Is there a difference on how the municipality regulates and supports informal trading kiosk or shops operated by foreign national and locals?
6. What challenges does SEDA have with informal traders?
7. What challenges does SEDA see informal traders experience?
8. Is there a difference on how the SEDA regulates and supports informal trading kiosk or shops operated by foreign nationals and locals?
9. Is there any planned support for informal traders in future?
10. Is there any information you would like to add?

.....

THANK YOU FOR YOUR CO-OPERATION!!!!

Appendix G: INTERVIEW QUESTIONS WITH DESTEA OFFICIALS

1. What is the role of DESTEA in local economic development?
2. What are the current issues with local economic development in Mangaung?
3. Briefly describe the programmes the Department implemented in the past five (5) years to support informal street traders?
4. Are the support programmes exclusive to traders in the CBD area?
 - (i) Do informal street traders operating in the location have access to the same programmes?
5. Is there a difference on how the Department regulates and supports informal trading kiosk or shops operated by foreign nationals and locals?
6. What challenges does SEDA have with informal traders?
7. What challenges does the Department see informal traders experience?
8. Is there any planned for informal traders in future?
9. Is your department working in isolation?

.....

THANK YOU FOR YOUR CO-OPERATION!

Appendix H: INTERVIEW QUESTIONS WITH CHAIRPERSONS OF THE INFORMAL ECONOMY ASSOCIATION

1. How do you define informal street trading?
2. What is the role of the association?
3. What kind of support did the association provide informal street traders with BEFORE and DURING the Covid-19 pandemic?
4. What challenges does the Association see informal trader experience?
5. How does the association protect informal street traders from unfair (if any) municipal by-laws?
6. What challenges does the association face with informal street traders?
7. Is the Association included in the design of by-laws on informal street trading?
Is the any planned support for informal traders in future?
Is there any information you would like to add?

.....

THANK YOU FOR YOUR CO-OPERATION!!!

Appendix I: INTERVIEW QUESTIONS INFORMAL STREET TRADERS (ENGLISH)

1. What is your age?
2. Have you ever been employed by someone? Explain why/ not?
3. How would you define the informal sector?
4. What led you to start your business?
 - i. Background on the person
 - ii. Reasons for starting informal instead of formal business.
 - iii. How long have you been in business?
5. What services or products do you provide?
 - i. Where do you buy your product (if selling)?
6. Is your business registered? If not, why have you not yet registered your business?
7. What are the challenges you experience as an informal trader?
8. How has the Covid-19 pandemic affected your business?
9. How has the Covid-19 pandemic affected your livelihood?
10. What support do you receive from the municipality, DESTA, SEDA, and formal businesses?
 - i. Are you registered with any informal economy Association?
What kind of support do you receive from the affiliated association?
11. What kind of support would you like to receive to grow and operate your business?
12. Is there any information you would like to add?

Emotional risks questions:

How has the Covid-19 pandemic affected your livelihood as an informal trader?

Did you lose a loved one because of loss of income during the pandemic?

Cultural risk questions:

Is your business registered?

Do you receive support from institutions and the association and how do you handle treatment from officials coming from those institutions?

THANK YOU FOR YOUR CO-OPERATION!!!!

APPENDIX J: INTERVIEW QUESTIONS WITH INFORMAL STREET TRADERS (SESOTHO)

1. Lilemo tsa hao likae?
2. O kile ao hiroa kapa ao sebetsa? Hlaloso hobaneng?
3. O hlalosa joang muruo le sa reroang?
4. O susumelitsoe keng ho qala khoebo ea hao?
 - i. Boleng ba motho?
 - ii. Ke ka mabaka afe o qeteletse o qadile kgoebo ya hao sebaekng sa moruo osa reroang?
 - iii. O nale nako e kae ole khoebong?
5. Ke litsebeletso kapa lihlahisoa lifeng tsee o fanang ka tsona?
 - i. O reka lihlahisoa tsa hao kae (ha eba oa rekisa)?
6. Ke liphephtso lifeng tseo o kopapang le tsona joalo ka morekisi?
7. Bohloko ba Covid-19 bo amme joang kgoebo ya hao?
8. Ke tshehetso ofe e oe fuamang hotsoa hoba masepala, DESTEA, SEDA, le likgoebo?
 - i. O ngodisitse le mokhatlo ofe ao dikgwebo tse sa reroang?
9. O fumana tshehetso e joang hotswa ho makhatlo o eo goditseng le ona?
10. O ka thabela ho fumane tshehetso e joang hore kgoebo ya hao hole le hore e sebetse?
11. Ho nanle ho hong ho o ka ratag ho hlaisa?

Lipotso tsa likotsi tsa maikutlo:

Seoa sa Covid-19 se amme mokhoa oa hau oa boipheliso joang joalo ka mohoebi ea sa reroang?

A na u lahlehetsoe ke motho eo u mo ratang ka lebaka la tahlehelo ea chelete nakong ea seoa?

Lipotso tsa kotsi ea setso:

Na khoebo ea hau e ngolisitsoe?

A na u fumana tšehetso ho tsoa ho litsi le mokhatlo le hore na u sebetsana joang le kalafo ho tsoa ho liofisiri tse tsoang litsing tseo?

KE LEBOHELA TSEBEDISANO YA

APPENDIX K: EXAMPLE OF INFORMATION SHEET AND CONSENT FORM

RESEARCH STUDY INFORMATION LEAFLET AND CONSENT FORM

Date of research project: November – December 2023

TITLE OF THE RESEARCH PROJECT

Informal economy in promoting local economic development: The case of Mangaung Central Business District

PRINCIPLE INVESTIGATOR / RESEARCHER(S) NAME(S) AND CONTACT NUMBER(S):

Tshalofelo David Modirapula 2011152036 071 932 8080

FACULTY AND DEPARTMENT:

*Economic and Management Sciences
Centre for Development Support (CDS)*

STUDYLEADER(S) NAME AND CONTACT NUMBER:

Professor Deidre van Rooyen (UFS staff member)
051 401 7059

WHAT IS THE AIM / PURPOSE OF THE STUDY?

The study aims to investigate how the informal economy, as a safety net from the formal economy during economic crises, contributes to the local economy. This research will be demonstrated using the informal street traders operating in the Mangaung Central Business District, Free State as examples.

WHO IS DOING THE RESEARCH?

My The researcher is Tshalofelo David Modirapula, a Master of Development Studies candidate at the University of the Free State and an Academic Facilitator under the Department of Public Administration at the University of the Free State. This research has

205 Nelson Mandela Drive/Ryalaan, Park West/Parkwes, Bloemfontein 9301, South Africa/Suid-Afrika

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been conducted as part of the curriculum to add to the knowledge about the informal economy and local economic development (LED). On the one hand, this research will reveal how the informal economy can generate economic opportunities and create multiplier effects nationally and locally. On the other hand, it is hoped to unearth the economic, social, environmental, political, and operational challenges that hold back the informal economic activities. Currently, there is a lack of research on the topic in Mangaung, particularly following the COVID-19 pandemic. Therefore, it is hoped this project will help close the theoretical gap and put forward recommendations in dealing with the informal economy while ensuring that the objective of creating sustainable and inclusive growth as stipulated in the mission of the department is achieved.

HAS THE STUDY RECEIVED ETHICAL APPROVAL?

This study has received approval from the Research Ethics Committee of UFS. A copy of the approval letter can be obtained from the researcher.

Approval number: *UFS-HSD2022/0761*

WHY ARE YOUR INSTITUTION/ORGANISATION/COMPANY INVITED TO TAKE PART IN THIS RESEARCH PROJECT?

The participants or employees employed in the department (DESTEA) were selected for this study due to their knowledge, extensive experience, and perspectives regarding the informal economy or informal street trading in Mangaung. This aspect is also informed by the department's role in promoting local economic development in Mangaung. The contact details of the participants were obtained from the municipality following the researcher's visit to the DESTEA offices. The researcher asked for assistance from the helpdesk in identifying the relevant offices and people to talk to about doing research in the department. However, the researcher employed a purposively sampled technique to select participants because of the respective roles they play or work in local economic development and the informal economy or informal street trading in Mangaung.

WHAT IS THE NATURE OF PARTICIPATION IN THIS STUDY?

As reflected in the paragraph above, the selected participants will be providing the researcher with information by answering interview questions on the informal economy operations and local economic development in Mangaung. The study will make use of semi-structured interviews that can be conducted face-to-face, and all questions will be open-ended to allow

participants to provide the researcher with any information that he might not be aware of. The estimated time for each interview is 45 minutes and will be in English. The use of English in these interviews is because government officials use it in all government communications.

WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?

There will be no direct benefits to your participation in this study. However, by participating, you will be assisting the researcher in learning more about the Margaung informal economy and how the municipality interacts with the sector, thereby tapping into its potential benefits for achieving the goals of the implemented LED strategy. Furthermore, your contribution to this study will benefit the department and municipality in uncovering ways to incorporate the informal sector into the economy and including it in planning in the future.

WHAT ARE THE POTENTIAL RISKS TAKING PART IN THIS STUDY?

There are known risks that can be associated with this study. However, should you experience discomfort in answering any questions, you may withdraw your participation from the study.

WILL THE INFORMATION BE KEPT CONFIDENTIAL?

The researcher will be responsible for assuring participants that their details and information will not be disclosed to anyone under any circumstances. To ensure anonymity and privacy, information such as their names, addresses, or contact details will be recorded using codes. Answers from all participants will be given a fiction code number or a pseudonym, and you will be referred to in this way in the data in any publications or other researcher reporting methods such as conference proceedings. Only the researcher and the transcriber will have access to the data, but they will be required to sign a confidentiality agreement. However, to ensure that the research was done properly, the Research Ethics Committee and an external coder will review the work and provide the answer that you have provided. Otherwise, records that identify you will be available only to people working on the study unless you permit other people to see the records. Please take note that the details and information that can be used to identify you will only be available to the researcher and, in any case, will not be used for exploitation and personal gain. However, data can be used when writing research reports, journal articles, conference presentations, etc., and likewise, your privacy will be a priority and the researcher will make use of codes instead of actual names. Moreover, for study purposes, a report may be submitted for publication, but your details will remain unidentifiable in such a report.

HOW WILL THE INFORMATION BE STORED AND ULTIMATELY DESTROYED?

Hard copies of your answers will be stored by the researcher for five years in a locked portable external driver for future research or academic purposes; electronic information will be stored on a password-protected computer. Future use of the stored data will be subject to further research ethics review and approval if applicable. Data on audiotapes will be destroyed by recycling (tape over) and data on the portable external drive will be overwritten or formatted. As already highlighted, there is no immediate risk that can be associated with the study. However, in the case that the participants are identified and face potential harm by those who may feel misrepresented or undermined by the information that was provided, the researcher can only ask for the participants to think through their answers and give answers that make it almost impossible to easily identify them. There will be no insurance coverage for participants.

WILL THERE BE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?

There will be no payment or reward offered for participating in the study. Concerning the costs that the participants may incur, taking into consideration that interviews may be conducted online, the researcher will advise participants who do not have access to fast and reliable internet connectivity to move to do interviews face-to-face.

HOW WILL THE INSTITUTION / ORGANISATION / COMPANY BE INFORMED OF THE FINDINGS / RESULTS OF THE STUDY?

If you would like to be informed of the final research findings, please contact Tshalofelo David Modirapula on 071 932 8080 or ModirapulaTD@ufs.ac.za. The findings are accessible for seven (7) years. Should you require any further information or want to contact the researcher about any aspect of this study, the details provided above can be used. However, if you have concerns about how the research has been conducted, you may contact Professor Diedre van Rooyen at griesd@ufs.ac.za. There are no known risks associated with the study, and this is largely because the details of participants will be recorded using codes.

Yours sincerely

Tshalofelo David Modirapula

Date: 08/11/2022

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CONSENT TO PARTICIPATE IN THIS STUDY

I, _____ (participant name), confirm that the person asking my consent to take part in this research has told me about the nature, procedure, potential benefits and anticipated inconvenience of participation.

I have read (or had explained to me) and understood the study as explained in the information sheet. I have had sufficient opportunity to ask questions and am prepared to participate in the study. I understand that my participation is voluntary and that I am free to withdraw at any time without penalty (if applicable). I am aware that the findings of this study will be anonymously processed into a research report, journal publications and/or conference proceedings.

I agree to the recording of the *insert specific data collection method*.

I have received a signed copy of the informed consent agreement.

Full Name of Participant: _____

Signature of Participant: _____ Date: _____

Full Name(s) of Researcher(s): _____

Signature of Researcher: _____ Date: _____



APPENDIX L: LETTER FROM LANGUAGE EDITOR

Cyril JM Clarke
 Translator, Editor & Proofreader
Word for word the very best!
18 Kleinkaroo Street
OUDTSHOORN 6625
South Africa
Mobile: +27 (0)83 384 0766
E-mail: cyril@mweb.co.za

To Whom It May Concern

I, Cyril JM Clarke, the undersigned, a qualified editor, hereby declare that I have edited the following thesis:

Title

**ECONOMY IN PROMOTING LOCAL ECONOMIC DEVELOPMENT: THE CASE
OF MANGAUNG CENTRAL BUSINESS DISTRICT**

written by

Tshalofelo David Modirapula

to be submitted

**in partial fulfilment of the requirement for a Master's Degree in Development Studies
in the Centre (MDS)**

in the

**Faculty of Economics and Management Science, Centre of Development Support,
University of the Free State.**

I have suggested changes regarding the use of grammar and language. I have also suggested changes regarding the layout and references in the text. Furthermore, I have suggested changes to the reference list. However, I cannot guarantee that all my suggested amendments have been implemented.

Kind regards



CJM Clarke
3 August 2023

APPENDIX M: PLAGIARISM RECEIPT AND REPORT



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