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**ECONOMICS**

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*Sociology*

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**MEASUREMENT OF THE ENABLING  
DEVELOPMENT ENVIRONMENT:  
A COMPARATIVE STUDY  
IN A DEVELOPING REGION**

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**ABSTRACT.** Development of a region is influenced by the way in which local government develops and implements its policy on the creation of enabling environment for businesses to prosper. The enabling development environment focuses on the role of government in providing the foundation for economic development. The total of 12 enabling development factors were identified, including such factors as the formation of partnerships and leadership. Quantitative research design was used in this study by means of primary data collection via survey in the Sedibeng District Municipal region, South Africa. This region includes three municipalities. The survey was completed in 2016, and the data was analysed using SPSS, descriptive and frequency distribution analyses. The total of 200 business owners were interviewed in this region. From the empirical results obtained in the survey found that the local municipality with the best performance in service delivery as well as in the creation of enabling environment has a significant impact on the overall development of the region. The study thus concludes that if an enabling environment is created, it should have a significant impact on the overall economic development of a region.

**JEL Classification:** H7, O1

**Keywords:** Local economic development, enabling environment, South Africa.

**Introduction**

In recent years, South Africa has witnessed an upsurge in the total number of violent protests regarding services' delivery across the country, people are mostly distressed with the very slow pace of services' delivery (Mashamaite, 2014). Local governments in South Africa are under enormous pressure to deliver basic services to communities (Rogerson, 2010). According to (Sebugwo, 2011), low levels of municipalities' capacity to deliver basic services has resulted in most protests. In an effort to deal with the needs of impoverished communities, various pro-poor policies and tools such as the integrated development plan (IDP) and local economic development (LED) have been formulated (Mashamaite, 2014). However, there is still widespread poverty that is linked to the lack of basic services' delivery, as well as poor socioeconomic conditions in various local economies. On the global scale, the United Nations Development Programme (UNDP) has replaced its Millennium Development Goals (MDGs) with

the Sustainable Development Goals (SDGs). The SDG's includes social, economic and environmental aspects (Dlamani, 2016). South Africa is a partner in the implementation of these goals and any analysis of the enabling environment should take into account these goals.

The efficient delivery of basic services is important for any local region to prosper. The Local Economic Development (LED) may be seen as an approach of deliberate intervention by local government to promote sustainable development within a local economy (Leigh & Blakely, 2013; Streimikiene *et al.*, 2016; Lizińska *et al.*, 2017). Bartik (2003) states that LED is defined as the overall increase in the local economy's capacity to increase wealth for its residents. Local government is regarded as the main facilitator of LED (Shah & Shah, 2009). Given that South Africa faces numerous socioeconomic and structural problems, LED seeks to utilise the potential of areas so that to stimulate local economic systems to improve their economic environments. The local business sector is seen as one of the greatest assets for any local economy since it is creating the foundation for economic development (Huggins *et al.*, 2014). It is the first priority of any region to retain and attract firms as well as to facilitate sustainable living standards for local citizens (Huggins *et al.*, 2014). Hindson and Meyer-Stamer (2007) state that as soon as the business environment improves, it will have a significant impact on local economic development (LED).

South Africa is currently facing numerous socioeconomic, political and macroeconomic problems, all of which influence economic growth in a negative way. Some of these problems include poverty, inequality and unemployment (Bexter, 2013; Shuaibu & Oladayo, 2016). One approach in addressing these various problems by the acting government of South Africa is the expansion of business activities and creating of an enabling environment for the local businesses to prosper (Meyer *et al.*, 2016a, b). The main objective of such an enabling environment is the creation of a framework which enables businesses to launch, develop and thus generate more jobs (ILO, 2014). The enabling environment is thus very important as it enables businesses to grow and sustain in terms of improved efficiency of their production with the direct help and assistance of local governments and other relevant community stakeholders (Bocken, 2014).

The Sedibeng District Municipality was selected as the study area in our case. It is situated at the southern section of the Gauteng province. The reason for the selection of the Sedibeng District Municipality is due to numerous protests and strikes that have taken place in the past few years, and the fact that the researchers are located in this region (this fact is thus leading to significant cost savings). The research process included various aspects of regional economic development and LED in the South African context. Given that businesses contribute significantly to the country's economic growth, specific reference was given to business owners' perception of local government in its creation of an enabling environment which is supposed to lead to prosperity within the Sedibeng District Municipality. The research process focused on the comparative analysis of three local municipalities and their role in creation of an enabling environment for businesses. The main goal of this research paper is to determine whether the provision of basic services and creation of an enabling environment could lead to increased economic development in a region. The survey was conducted in 2016. The specific scale used to determine the enabling environment was developed by (Meyer and Keyser, 2017). The reliability and construct validity of the instrument were tested using the Cronbach's Alpha Coefficient and Varimax Factor Analysis. The results indicate that the scale is a valid and reliable tool for researchers to evaluate and assess the level of an enabling environment created by local government in a specific region.

## 1. Literature review

In terms of the Constitution of the Republic of South Africa (1996), a municipality has the right to govern the local affairs of its communities, subject to national and provincial legislation. A municipality should also manage and structure its planning, budgeting and administration processes in order to give priority to the basic needs of the people. The objective of local government is to ensure the provision of services to communities in an adequate and sustainable manner in order to promote social and economic development (Republic of South Africa, 1996). The new constitution of 1996 transformed local government in South Africa from just delivering basic services to be developmental in its functions.

The White Paper on Local Government of 1998 reiterated that a “developmental local government” should be defined as a local government committed to work with citizens and groups within local communities in order to find sustainable ways to meet their economic and social needs (Schmidt, 2008). According to the White Paper on Local Government, basic services enhance the quality of life of citizens and increase their economic and social opportunities by promoting health, access to work, and by stimulating productive activities, as well as recreation (Republic of South Africa, 1998). The Municipal Systems Act, 2000 (Act 32 of 2000) states that the mandate for local government is the fulfilment of their constitutional obligations to ensure effective, sustainable and efficient municipal services in order to promote economic and social development. The Municipal Systems Act, is therefore directed at the establishment of certain policies and regulations in local government to ensure that services are provided in an equitable and transparent manner, and promotion of economic development.

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

**Partnership formation:** Partnership formation is based upon the principle that the local government creates an enabling environment in which economic activities can take place, and where the participation of the public and the private sector is facilitated (Srinivas, 2015). Marais (2012) states that partnership formation is the responsibility of the private sector, the local government and the local community that work together in order to improve the development of local communities.

**Structures, policies and initiatives:** The regulation and structures of local government is necessary in the accommodation and promotion of business development as well as the degree of policy implementation and capacity building (Rogerson, 1999). Local government should focus its spending and finances on the promotion of economic development, as well as the provision of basic needs (Meyer, 2014). Overall the municipalities’ role and responsibilities should be focused on initiatives that add value to the local economy through skills development aimed at improving the employment rate.

**Leadership:** Leadership relies on management skills and requires attributes such as honesty, integrity, passion, commitment, a positive attitude and confidence (GGLN, 2010). GGLN (2010) further states that leadership consists of individual skills, but more importantly it relies on the institutional capacity of government and business. Todaro and Smith (2011) claim

that political will includes the courage and ability to commit to accountability and transparency for the development of all citizens within the local community. Political leadership is a critical component of the creation of an enabling environment as it focuses on the decisions made by the political party within a local government (Meyer, 2014).

***Social development initiatives and poverty alleviation:*** Development is not only important for a faster growth rate, but also for the creation of a more sustainable future (National Treasury, 2015; Rajnoha and Lesníková, 2016; Slávik and Zagoršek, 2016). Social development refers to the human and social capital of the local community in terms of human, growth and economic development initiatives (Woolcock, 2002). Social development plays an integral role in providing poverty alleviation projects and the changing of laws, practices and regulations (Clark, 1993). South Africa needs inclusive growth aimed at addressing social and economic problems (National Treasury, 2015). South Africa has taken major strides in addressing the problems of poverty alleviation and removing inequalities, and the improvements in expenditure programmes will have a major influence on removing inequalities and improving the living standards of people in local communities (Leibrandt *et al.*, 2010).

***Economic development initiatives:*** Economic sectoral development, enterprise development and the need for a safe and stable community are some of the major aspects of economic development initiatives (Rogerson, 2011). Rogerson asserts that LED forms part of economic development initiatives, which refers to one of the core functions of local government. The local economy should be based upon the needs of surrounding areas in terms of export promotion (Enright, 2003). Strengthening the export promotion of the local region will enable the growth of direct investments in local communities, as well as enabling job creation initiatives (Helmsing, 2003).

***Environmental and spatial plans:*** Spatial planning is crucial for the creation of an enabling environment in which social, economic and environmental benefits are provided (Rydin & Pennington, 2000). The benefits of an integrated spatial development framework include the creation of predictable and stable conditions for development and investments by securing community benefits from development and the prudent use of land resources (Rydin & Pennington, 2000). Environmental and spatial plans involve the Spatial Development Framework (SDF), nodal and corridor development, as well as environmental management practices (Meyer, 2014). In order to create a favourable enabling environment for businesses it is important for the local area to be accessible in terms of access to goods and services, as well as a clean physical environment (Arnold, 2013).

***Infrastructure development:*** Infrastructure is a very critical factor in ensuring the efficient functioning of an economy by stimulating growth and promoting employment. Periods of high unemployment and low economic growth should see government spending heavily on labour intensive infrastructure projects (Provincial Treasury, 2012). History has shown that the most appropriate tools for promoting economic growth are investment in internal infrastructure and contribution to investments in the tertiary sector (Kessides, 1993). Infrastructure backlogs are a major concern in South Africa as they seriously hamper economic activities (Perkins, 2011).

***The development of human resources:*** According to HRDSA (2014) human resource development is necessary for local economic development as it measures the aggregate skills of a region's workforce, but more importantly it focuses on the capacity and flexibility of the workforce in adjusting to the rapid changes in production, technology and trade organisation. The ability to respond to the ever changing efficiency and speed is something in which many countries seek a competitive advantage (HRDSA, 2014). Marketing, entrepreneurial development, a skilled labour force and the protection of workers are needed in order to balance the flexible labour regulations in a country (ILO, 2010). Therefore the development of human

capital may lead to a better formal economy within the various sectors of the national government.

***The development of entrepreneurship and SMME's:*** The development of entrepreneurs in society brings about job creation initiatives, as well as the development of management in any organisation (Nonaka, 1994). The growth of new business can be attributed to capacity building, the adoption of new services and goods, as well as the development of human resources (Nonaka, 1994). Local government should be able to provide an enabling environment for new businesses in the sense that it should create new opportunities for meeting a specific need of society (Gnyawali & Fogel, 1994).

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

***Agricultural development:*** In most of the developing countries for example Pakistan, India and Sri-Lanka the agricultural sector forms a large percentage to the contribution to gross domestic product (GDP) (Dasgupta *et al.*, 2007). Van Zyl *et al.* (1996) reiterates that agricultural development plays a major role in enhancing food security, reducing poverty through rural development, reducing environmental impact on agricultural production as well as improving access to international agricultural markets. Aliber (2003) asserts that agricultural development plays a significant role in the elimination of poverty as well as the improvement in living standards.

***Safety and security:*** Crime prevention is another important factor in the creation of an enabling environment. High levels of crime will have a negative impact on society, local businesses and the environment (Carroll & Buchholtz, 2014). According to Todaro and Smith (2011), tackling the problem of corruption would increase public trust and lower levels of illegitimate private gain. In addition to this, as society grows wealthier; good governance needs to be maintained within the local government. Crime is considered a social problem which influences the development of the community, as well as the development of people. A study by Goulas and Zervoyianni (2012) reveal that high crime rates are usually associated with low levels of HDI (Human Development Index), and as a result influence the quality of human capital within a specific region.

### ***1.1 Profile of the study area***

The Sedibeng District Municipality is situated in the southern-most part of the Gauteng province, and is the third largest contributor to the economy of the Gauteng province (The Local Government Handbook, 2016). *Table 1* is a summary of key statistics for the Sedibeng region. The total geographical area of the Sedibeng District Municipality covers approximately 4 620 square kilometres km<sup>2</sup> (StatsSA, 2016; Sedibeng District Municipality, 2016).



Figure 1. The three local municipalities within the Sedibeng District Municipality  
 Source: Sedibeng District Municipality (2016).

The total population size of the Sedibeng District Municipality is 916 484 people, a population growth of 1.43% per annum (StatsSA, 2016). The district municipality includes towns such as Vanderbijlpark, Meyerton, Heidelberg and Vereeniging, with the major townships including Sebokeng, Boipatong, Sharpville, Bophelong and Everton (The Local Government Handbook, 2016).

Table 1. Sedibeng District Municipality overview

Indicator	Emfuleni Local Municipal area	Midvaal Local Municipal area	Lesedi Local Municipal area	Sedibeng District Municipal area
Area (km <sup>2</sup> )	1 275 km <sup>2</sup>	2 310 km <sup>2</sup>	1 040 km <sup>2</sup>	4 620 km <sup>2</sup>
Towns and cities	Sebokeng, Vanderbijlpark, Vereeniging, Evaton, Sharpville	Meyerton, De Deur Walkerville, Vaal Marina, Eikenhof	Heidelberg, Devon, Vischkuil	(Includes all the cities and towns from three local municipalities)
Population	721 663 (78.7%)	95 301 (10.4%)	99 520 (10.9%)	916 484
Households	220 135 (78%)	29 965 (10.7%)	29 668 (10.6%)	279 768
Household size (average)	3.30	3.20	3.40	3.30
Population Growth (p.a.)	0.92%	3.94%	3.26%	1.43%
People per km <sup>2</sup>	565 p/km <sup>2</sup>	41 p/km <sup>2</sup>	95.5 p/km <sup>2</sup>	197.9 p/km <sup>2</sup>
Main economic sectors	Manufacturing and retail.	Manufacturing and agriculture.	Manufacturing and agriculture.	Manufacturing and agriculture.
GDP growth 2011 to 2016	0.9%	2.4%	1.8%	1.3%

Source: Sedibeng District Municipality (2016).

## 2. Methodological approach

The survey method was used in this study to collect primary data from business owners within the Sedibeng District Municipality. The main goal of this survey was to evaluate the

perceptions of business owners in the Sedibeng District Municipality with regard to service delivery and the factors contributing to the creation of an enabling environment. Businesses are seen as one of the pillars for the “LED triangle” and it is important to evaluate their perceptions of the government in terms of creating an enabling environment to prosper (Rodríguez-Pose & Tijmstra, 2005). The survey was completed from June to July 2016 by the researchers who handled all the interviews. The questionnaire consisted of general descriptive questions on the specific businesses such as size and type of business, and closed-ended perception questions regarding service delivery, municipal practices, and factors enabling environment using Likert scale. The survey data was analysed by using SPSS and included descriptive and frequency distribution analysis. The target population used in this study was business owners within the Sedibeng District Municipality. The sample size in this study consists of 200 business in total which include 100 business within the Emfuleni Local Municipality, 50 for the Midvaal Local Municipality and 50 in the Lesedi Local Municipality. The sample size was chosen due to the large percentage of businesses in the Emfuleni local municipality and the lower percentage of businesses in the Midvaal and Lesedi local municipalities. The total number of businesses in each area are not known to the exact number. Local telephone directories were consulted to determine the approximate number of local businesses. A 10% sample size was selected in this study. The data collected from the business owners are useful in providing insight into how well the specific municipality is able to provide an enabling environment and an evaluation of the factors contributing to an enabling environment.

The primary data were analysed within this study using the Statistical Package for Social Sciences 22 (SPSS). The most basic approach of determining the level of service delivery was the use of descriptive statistics, including frequency distributions such as the mean, standard deviation, skewness and kurtosis. The five-point Likert scale was used to determine the level of respondents’ satisfaction, where one (1) was very poor, (2) poor, (3) average, (4) good and five (5) was very good.

### 3. Conducting research and results

*Table 2* gives a description of the basic demographic information of the business owners. Most of the business owners were between the ages of 40 and 59, indicating that business are generally owned by older people and the younger generation finds it difficult to start and develop businesses. Nearly 60 percent of the total respondents only had a matric certificate or diploma, showing that the business owners had a relatively low level education, while 31 percent of the total number of respondents had a degree or post-graduate degree.

Table 2. Basic demographic information of business owners

Number of respondents per municipal areas (% in brackets)	Age groups of respondents (% in brackets)	Gender of respondents (% in brackets)	Highest level of education of respondents (% in brackets)
Emfuleni area (50%)	20-29 (4%)	Male (53%)	Primary school (9%)
Midvaal area (25%)	30-39 (22%)	Female (47%)	Secondary school (32%)
Lesedi area (25%)	40-49 (31%)		Certificate or diploma (28%)
	50-64 (34%)		Degree (21%)
	Older than 64 (9%)		Post- graduate degree (10%)

*Source:* Survey Data (2016).

*Table 3* is a summary of the types of businesses included in the survey. Nearly 47 percent of the total number of respondents were only the owner but not the manager of the firm, while nearly 33 percent of the total number of respondents were only manager but not the owner of the firm. Most of the organisations were micro/very small (55%), while only 8 percent of the total number of respondents were very large businesses. Most of the business were operating in the retail sector, nearly 44 percent followed by the services sector of 25 percent. The largest number of full time workers were between 1 and 10 full time workers (55 percent), while only three percent of the total number of full time workers had 200 or more workers.

Table 3. Business description details (details of businesses included in the study)

Role of business owners (% in brackets)	Size of business (% in brackets)	Business sector (% in brackets)	Number of full time workers (% in brackets)
Owner and manager (20%)	Micro to very small (55%)	Retail and Trade (44%)	1 to 10 workers (55%)
Owner but not manager (47%)	Small (24%)	Transport (6%)	11 to 50 workers (33%)
	Medium (13%)	Agriculture (5%)	51 to 200 workers (9%)
Manager but not owners (33%)	Large (8%)	Mining (6%) Manufacturing (14%) Services (25%)	More than 201 workers (3%)

*Source:* Survey Data (2016).

The next section is a comparative analysis of the three local municipalities within the Sedibeng District Municipality. The comparative analysis include aspects such as the general perceptions of service delivery, public service delivery perceptions, municipal practices perceptions and the factors contributing to the creation of an enabling environment. *Table 4* illustrates the general perception of service delivery in terms of the quality of overall public services. The lowest recorded mean value (between 0 and 4) were Emfuleni at 1.95 while the highest recording mean was Midvaal at 3.18. Overall it can be concluded that public service delivery within the Midvaal area is better than both the ELM and LLM.

Table 4. Descriptive statistics for general perception of service delivery

Service Delivery Perceptions	Mean value			Result
Municipal area	Emfuleni (N=100)	Midvaal (N=50)	Lesedi (N=50)	Best performing municipality
General Perception of Service Delivery	1.95	3.18	2.44	Midvaal

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

*Table 5* gives an indication of the public service delivery perceptions based on the various factors. Overall, the Midvaal Local Municipality (MLM) are performing better than both



Lesedi Local Municipality (LLM) and the Emfuleni Local Municipality (ELM) in terms of public services. Areas where the MLM may improve includes planning and zoning regulations as well as the provision of electricity. The ELM and LLM needs to focus on areas such as the quality of roads infrastructure, availability of water and the provision of correct municipal accounts. One major concern from the business owners in both the ELM and the LLM was the standards of the public roads within their communities, which indicated a calculated mean of (2.00) and (2.18) respectively. Electricity provision is also major concern for the business owners within the ELM and MLM which showed a mean value of (2.46) and (3.74) respectively.

Table 5. Descriptive statistics for public service delivery perceptions

Public services	Mean value			Result
Municipal area	Emfuleni (N=100)	Midvaal (N=50)	Lesedi (N=50)	Best performing municipality
(1) Availability of water	3.23	4.61	4.52	Midvaal
(2) Correct municipal accounts	3.28	4.12	3.06	Midvaal
(3) Zoning and planning regulations	3.17	3.16	2.92	Emfuleni
(4) Electricity provision	2.46	3.74	3.86	Lesedi
(5) Quality of roads	2.00	3.56	2.18	Midvaal
Total average	2.83	3.84	3.31	Midvaal

Source: Survey Data (2016).

Municipal practices should further be defined as the delivery of services to the local communities in terms of Human Resource Development, Local Economic Development and leadership (Pretorius & Schurink, 2007). For the purpose of this study, it was decided to use six municipal practices such as red tape regulations, unstable management, vague and uncertain policies, corruption and irregular practices as well as poor public participation. The business owners ranked each of the factors whereby 1 is indicated as a low impact on the business, while the number 5 was indicated as a high negative impact on business activities. *Table 6* is a representation of the the impact that municipal practices have on the flow of business activities. Overall, most of the municipal practices influenced the Midvaal Local Municipality business owners the least, meaning that the specific factors which may have a negative influence on business activities are less significant. Areas for improvement within the Midvaal Local Municipality (MLM) may include an improvement in red tape regulations as well as municipal services costs. Municipal practices which have a significant impact on the the local economy within the Emfuleni Local Municipality includes corruption and irregular practices as well as poor public participation. Corruption and irregular practices as well as municipal services costs have a negative influence on business activities within the Lesedi local Municipality, however, areas where it is less significant and have a lower impact on business activities include vague and uncertain policies and poor public participation between businesses, people and the local communities.

Table 6. Descriptive statistics for Municipal Practices

Municipal practices (negative)	Mean value			Result
Municipal area (Target: Low mean value)	Emfuleni (N=100)	Midvaal (N=50)	Lesedi (N=50)	Best performing municipality
(1) Red tape regulations	2.56	2.96	3.46	Emfuleni
(3) Vague and uncertain policies	2.86	2.72	2.82	Midvaal
(4) Unstable management	3.14	2.56	3.36	Midvaal

(5) Poor public participation	3.42	2.44	3.32	Midvaal
(6) Municipal services costs (Rates and taxes)	2.72	3.52	4.20	Emfuleni
Total average (lowest score)	3.07	2.81	3.53	Midvaal

*Source:* Survey Data (2016).

In order for businesses to grow and succeed, there has to be some initiative from the local government to improve basic service delivery and to provide an enabling developmental environment. The twelve factors are evaluated within the study region. *Table 7* shows the basic descriptive statistics of the business owner's perceptions towards the twelve factors of the enabling environment.

Table 7. Factors contributing to the creation of an enabling environment

Enabling Environment Factors	Mean value			Result
	Emfuleni (N=100)	Midvaal (N=50)	Lesedi (N=50)	
Municipal area				Best performing municipality
(1) Improvement to access to transportation	2.87	3.30	3.78	Lesedi
(2) Entrepreneurship development	2.91	2.80	2.65	Emfuleni
(3) Structures and policies	2.71	3.42	2.80	Midvaal
(4) Economic Development Initiatives	3.44	3.40	1.96	Emfuleni
(5) Partnership Formation	2.04	3.38	2.70	Midvaal
(6) Environmental and spatial plans	2.71	3.02	3.12	Lesedi
(7) Agricultural development	2.84	2.76	3.86	Lesedi
(8) Infrastructure plans	2.96	3.18	2.72	Midvaal
(9) Safety and security	3.62	2.78	3.70	Lesedi
(10) Leadership	2.94	3.46	2.20	Midvaal
(11) Development in Human resources	2.37	3.12	2.46	Midvaal
(12) Poverty alleviation and social development	1.87	3.40	1.89	Midvaal
Total Average Score	2.77	3.16	2.82	Midvaal

*Source:* Survey Data (2016).

The top performing municipality is Midvaal (scoring six out of the twelve factors), while Lesedi and Emfuleni only have four and two respectively. The Midvaal Local Municipality (MLM) are strong in terms of partnership formations (linkage between business, government and community), structures and policies, leadership, human resource development as well as poverty alleviation and social development. The Emfuleni Local Municipality (ELM) are strong in terms business development and economic development initiatives, such as (LED) Local Economic Development. The Lesedi Local Municipality (LLM) are good in terms of access to transportation, improving the spatial framework and environmental plans, agricultural development as well as safety and security. In terms of the provision of an enabling environment within a certain region, it is important for the local government to create the space for development initiatives. Overall the Midvaal Local Municipality are performing very good in terms the creation of an enabling environment and overall economic development objectives, however, some areas need more focus such as agricultural development and entrepreneurship development.

From the results obtained from the business survey it can be concluded that the Midvaal Local Municipality (MLM) are performing the best in terms of the provision of basic services

and creating the enabling environment for the community. In general the business owners had a more positive opinion on the MLM than on the ELM and LLM due to the excellent service delivery and provision of an enabling environment. Areas for improvement within the Lesedi and Emfuleni Local Municipality may include better partnership formation and quality leadership in order to maintain a degree of improvement on a local economic development sphere. It is thus very important for both the Emfuleni Local Municipality and the Lesedi Local Municipality to improve in terms of poverty alleviation and the development of social services in order to establish the foundation for the enabling environment. In terms of the development indicators as well as the socio-economic indicators for the three local municipalities within the district municipality, it is apparent that the Midvaal Local Municipality (MLM) are doing the best in terms of economic development. *Table 8* is a summary of comparative economic development indicators.

Table 8. Comparison of the economic development indicators

Indicator	Definition	Best performing municipality
HDI (Human Development Index) Target: Higher ↑ HDI	HDI focuses on three dimensions of development including the level of literacy, access to various resources as well as life expectancy. The HDI are therefore a very important indicator in determining the standard of living.	Midvaal (0.731) ↑ Emfuleni (0.678) Lesedi (0.6711)
Gini Coefficient Target: Low ↓ Gini coefficient	The level of income inequality are usually measured by means of the Gini Coefficient. The Gini coefficient represents a numerical value between 0 and 1, where 0 represents a high equal distribution of income.	Midvaal (0.63) ↓ Emfuleni (0.63) Lesedi (0.66)
Unemployment rate Target: Low ↓	The unemployment rate are one of the most often measures used to determine the level of economic activity in an economy. The rate of unemployment represents the amount of people within a specific geographical area who are actively seeking work.	Midvaal (23.5%) ↓ Lesedi (37.4%) Emfuleni (44.9%)
Poverty levels Target: Low ↓	Poverty may be defined as a situation whereby a person are unable to meet the basic needs such as healthcare, safe drinkwater, food and shelter. High levels of poverty are usually a reflection of the unemployment rate and the standards of living within a specific community.	Midvaal (26.5) ↓ Lesedi (38.8) Emfuleni (41.7)
Average income per household. Target: High ↑	The average income per household reflects the total amount of revenue received by individual family members divided by the number of family members within a specific geographical area.	Midvaal (R307.9) ↑ Lesedi (R187.6) Emfuleni (R156.60)
Tress Index. Target: low	The tress index is a representation of the level of specilization within a specific region. The higher the tress index are towards 100 the more specilized it is in certain sectors of the economy.	Emfuleni (54.4) Midvaal (38.4) Lesedi (37.7)

*Source:* Own compilation from Global Insight (2016).

From the table it is apparent that the Midvaal Local Municipality (MLM) are better than the other two municipalities in terms of addressing the social issues and problems such as absolute poverty and inequality within the region, indicating that the region have a higher level of development. The Emfuleni Local Municipality (ELM) however, contributes more in terms of key sectors, such as the manufacturing sector, and as a result of low competitiveness with the

global market (Kaplan, 2013) it influences job creation in a negative manner. From the empirical evidence found in the study it was found that in regions where there are high levels of service delivery and provision of an enabling environment, economic development is easier to achieve. Areas for improvement within the Sedibeng District Municipality includes the improvement of the quality of roads and an improvement in infrastructure, especially within the Emfuleni and Lesedi Local Municipal areas. The factors contributing to the creation of an enabling environment, identified by Meyer (2014) revealed that factors can be ranked according to the level of satisfaction, and as such it may be used for future research in local government in order to identify areas of intervention. From the empirical results obtained in the survey it was also found that the municipality with the best performance in service delivery as well as the highest number of factors contributing to the creation of an enabling environment have a significant impact on the overall standards of living and development of the community. The statistics revealed that the Midvaal Local Municipality have the highest level of development in terms of standards of living and economic development, as such, the overall delivery of services and the enabling environment factors are better than those of the Lesedi and Emfuleni Local Municipalities. The study concluded that if the the enabling environment is well provided it will have a significant impact on the overall economic development initiatives such as job creation initiatives and the alleviation of poverty.

### **Conclusion and recommendations**

According to Porter (2010) it is important for a local economy to have clear partnerships, as it signifies the importance of resource distribution, competencies and future project implementations. LED partnerships should be used in order to enable cooperation between the social actors and the public agencies in a region. As one of the factors contributing to the creation of an enabling environment identified by Meyer (2014), partnership formation is on a moderate performance, and it is ranked 5<sup>th</sup> on the 12 factors contributing to the creation of an enabling environment in the study region. The improvement of partnerships it will have an immediate effect on the way in which the local role players respond to changes in their unique environments. Partnerships are important because it enables valuable resources, it addresses the lack of service delivery in the public sector and it also shares a co-integrated approach towards the socio-economic problems in South Africa (Eloff, 2001).

Leadership by the local government is also important because it illustrates the significance of political management and the improvement thereof (Peters & Nieuwenhuysen, 2012). Adequate leadership qualities are needed in order to manage the wants and needs of the local communities as well as improving the way projects are implemented. Continued improvement is needed in the top management level before bottom management could show any responses to changes in the external environment. The major issue in South Africa is the fact that senior management in government is not showing the adequate leadership skills to improve the current problems South Africa is facing. Incompetency is shown and the lack to respond to any immediate changes are some of the signs that the quality of leadership is not up to standard. Partnership formation and leadership are two of the most important factors contributing to the creation of an enabling environment, because partnership will help in future development projects and the communication thereof. From the results found it was clear that good service delivery and high ranked factors contributing to the creation of an enabling environment have a significant impact on the development of a certain community. Table 8 showed that Midvaal were ahead of the other two local municipalities in terms of the objectives of economic development which means that if service delivery coupled with the factors contributing to the creation of an enabling environment are excellent, it will help improve poverty reduction, inequality and unemployment. In this paper it is clear that if service delivery is at a relatively

high standard, it will have a direct impact on the factors contributing to the creation of an enabling environment and the objectives of economic development.

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