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

TD Modirapula
University of the Free State

D van Rooyen
University of the Free State

ABSTRACT

This article focuses on how the informal economy is challenged, transitioned, and supported to contribute to local economic development (LED). The informal economy has become a sector where people have opened their businesses and found employment, which contrasts with the inability of the government to create sustainable jobs in the formal economy and a conducive environment for small businesses. The study investigates how the informal economy is challenged, supported and transitioned in the Mangaung Metropolitan Municipality. It assesses the approach of the Municipality towards the informal economy and how this has impacted the livelihoods of those making a living in this sector. Unlike other studies that have focused on the information economy within the central business district, this study goes further to include the informal street traders operating in the location, specifically the Batho location. The article adopted a qualitative methodological approach, and data were collected through semi-structured interviews with 26 purposely selected participants. The participants included municipal and government officials, the chairperson of the informal economy association, and informal traders. Recommendations are presented on how the municipality can create an environment conducive for informal businesses to operate as industrial clusters that can help create jobs and reduce poverty and inequality, in line with the goals of the LED.

Keywords: Informal Economy, Informal Sector, Local Economic Development, Poverty, Unemployment

1. INTRODUCTION

Inclusive economic growth requires the integration of the informal economy in government economic policy planning. Increasing evidence suggests that the informal economy is not a transitional phenomenon that will disappear with economic development but is part and parcel of the contemporary global labour market (Chen and Carre, 2020). A similar trend in informal activities is experienced in South Africa, with the World Bank (2023) reporting that 18 percent of the adult population in South Africa works in the informal economy. Further estimates suggest that 7.5 million people out of the country's total population work in the informal economy, compared to 9.8 million in the formal economy (Asmal, Bhorat, Lochman, Martin, and Shah, 2024). Thus, the informal economy can argue to provide the needed employment and business opportunities, particularly where unemployment has persistently remained high. Consequently, the informal economy's role intersects with several local government responsibilities, including community participation in municipal processes and safeguarding the rights of individuals to engage in economic activities (the Republic of South Africa Constitution, 1996). Furthermore, throughout the local economic strategies, municipalities need to provide a business-conscious environment for businesses, including those in the informal economy. Indeed, several metropolitan municipalities in South Africa, including eThekwini, the City of Johannesburg, and the City of Cape Town, have sought to implement the informal economy in policies. However, efforts have been made to regulate informal economic activities and identify places for trading. Moreover, the economy has largely been excluded from economic policy planning and implementation at the national and local government levels.

Therefore, this research sought to investigate how the informal economy is challenged, transitioned, and supported to contribute to local economic development. This research is demonstrated using informal street traders. Notably, unlike other research that has been conducted on the informal economy in South Africa, the study looks at both informal street traders operating in the central business district (CBD) of Mangaung and Batho locations. It is important to remember that the apartheid spatial planning deliberately segregated communities based on race, located far from white neighbourhoods and the CBD. To achieve the aim, the study had the following objectives: 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 structure of the paper is as follows: Section 1 will provide an overview of the nature of the informal economy and street trading. This will be followed by a discussion on local economic development practices in South Africa in section 2. Section 3 will touch on the research methodology approach and the data collection technique for the study. Section 3 will also describe the sampling strategy and data analysis tool employed, followed by Section 4, in which the findings from the data analysed to answer the problem statements will be provided. Section 5 will allude to the recommendations for the stakeholders (local and provincial government officials, informal traders, and informal economy association chairpersons). Finally, a conclusion and future research will be discussed in section 6.

2. OVERVIEW OF THE NATURE OF THE INFORMAL ECONOMY AND STREET TRADING

Informal street trading has received widespread attention due to its survivalist nature. Informal street trading consists of informal economic activities discovered in the seventies by Keith Hart. A British anthropologist. Hart used the term informal economy to describe work activities in Ghana's urban areas (Bromley, 1990). These activities included domestic work, street trading, waste pickers, construction, and transportation. To describe these activities, Hart (1973) argued that they are not passive and would remain regardless of the levels of economic growth achieved. This is because all units, activities, and workers and their output in the informal economy are not subject to state regulations or practice (Vanek, Chen, Carrem Heintz, and Hussmans, 2014:2). Viljoen, Blaauw, and Schenck (2016) point out the informal economy comprises of businesses that are not registered and unofficial small-scale or subviral enterprises, temporary workers and self-employed persons whose operations are not monitored or taxed by state institutions. Table 1 gives an overview of some of the characteristics of survival informal activities.

Table 1. Characteristics of the Informal Economy Activities

The extent of informality	Often do not declare the income made, have no social protection and not covered by labour rations laws.
Nature of informal activity	Consist of individual or single street traders, and/ unpaid family workers small to micro enterprises, substance agricultural farmers, waste pickers, taxi drivers, and construction workers.
Level of labour intensively	Labour-intensive
Owner profile	Poor, low levels of education and skills.
Markets	Do not have an easy access to the markets, highly competitive and product homogeneity
Finance	Do have start-up capital

Source: Viljoen, Blaauw, and Schneck (2016)

Table 1 provides an overview and description of the main characteristics of the informal economy, particularly street vendor trading. The characteristics are dynamic and operate in a nexus, from the individual to households. These factors produce the cause-and-effect relationship through which the informal economy can be viewed and understood. Khambule (2020: 95) further indicates that the people who are often found working in the informal economy are poor and earn below the international poverty line of US$1.90, US$3.20, and US$5.50. Thus, the informal economy is mostly joined by the poor, who cannot afford the privilege of having alternatives. 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). Similarly, in South Africa's informal economy, Rogan and Reynolds (2015) found that 37% of the working poor are from the informal economy. The percentage of people joining the informal economy is exacerbated by the persistently high unemployment rate of South Africa, reported to be 31.9 percent at the end of the second quarter of 2024 (Statistics South Africa, 2025). The unemployed have turned to the informal economy as a survival strategy. Asmal et al (2024) estimated that about 7.5 million people participate in informal economy activities and are either employed or self-employed, against the 9.8 million in the formal economy. In the case of Mangaung, the informal sector accounts for 46 051 people (or 16.4%) of the total employment, in contrast to 234 338 of those in the formal economy (Department of Cooperative Governance and Traditional Affairs, 2020). Notably, the sector has been able to attract locals but also foreigners. The Free State Provincial Department of Economic, Small Business, Tourism, and Environmental Affairs (DESTEA) (2020) reported that within the informal economy, the Bangladesh population makes up 22 percent, followed by Ethiopians at 7 percent and Zimbabweans at 2.2 percent. Lesotho nationals are reported to own 1 percent of small and medium enterprises, while most of them are involved in street trading (DESTEA, 2020). Consequently, street trading, together with other informal economic activities, is not registered and does not contribute to the gross value added of Mangaung.

Nonetheless, measuring the informal economy is often problematic because activities are not legal or recorded (Fredstrom and Wincent, 2021). The economy is defined by its easy entry for those who are poor or unemployed, meaning people can engage in informal sector activities at any time and exist without informing the officials. Authors such as Mahajan (2014) argued that the informal sector has become a preferred option for those who faced the systemic oppression of the apartheid administration, which restricted entrepreneurship to specific trades. Lund and Skinner (2004) add that the Apartheid government instituted a racially hierarchical system of access to economic activity and opportunities. Counter to these arguments, a recent World Bank publication argued that the COVID-19 pandemic induced a substantial increase in informal employment (Ohnsorge and Yu, 2022). Therefore, the number can be higher than reported. Furthermore, the South African labour market has not been able to produce enough formal jobs. Therefore, the study argues that the informal economy links with local economic development goals, providing employment opportunities for the poor and marginalised populations, generating income contribution within the community and meeting local needs with readily available goods and services.

3. LOCAL ECONOMIC DEVELOPMENT PRACTICE IN SOUTH AFRICA

The top-down government interventions that accompanied the Keynesian system did not result in the desired goals for spatial distribution, growth, and development (Nel and Humphrys, 1999). Instead, the system resulted in energy crises, stagnation, limited growth, and persistent inflation cycles, which in turn led to a decline in public consumption and income (Nel and Humphrys, 1999). According to Tomlinson (2003), the failure of top-down approaches led to the emergence of people-centred strategies and regional economic

interventions, and local economic development followed. Noqiniselo (2019) argued that within the global community, LED practice plays an important role in poverty and unemployment reduction.

The decentralisation of administrative and legislative authority to subnational governments in South Africa saw municipalities having the role of economic growth and development. These represented a move from the apartheid social and economic planning that restricted development in urban areas. Khumalo (2015) points out that democratic local economic development is a constitutional mandate of local government and has featured in the political agenda of the African National Congress (ANC) as expressed in its Reconstruction and Development Programme of 1994 (ANC, 1994:2). Furthermore, the local government's developmental role is spelt out in the Constitution (1996) and the White Paper on Local Government of 1998 identified LED is identified as a process through which municipalities can bring together local stakeholders to find sustainable solutions to developmental problems facing their communities. This includes ensuring the local economy is conducive to employment creation (Sekhampu, 2010: 42).

The promotion of LED before the 1994 national elections, which saw South Africa transition into a democratic state, was characterised by a pro-market economic approach that prioritised businesses operating in the formal economy and marginalised the township economy (Patterson, 2008:4). However, in response to the policy approach of the apartheid, the South Africa government under the leadership of the ANC adopted an LED policy approach that had a dualistic economic character and a top-down approach to the planning of LED (Sekhamopu, 2010). A dual economy comprises both the informal and formal economy (Molefane, 2006). In other words, the South African economy had, for the first time, formal economy businesses operating alongside those in the informal economy, mostly found in the townships. It is in this regard that the RDP became the first policy document to include the plight of the poor in LED strategies and shifted LED to being pro-poor based (Van der Waldt, Van der Waldt, Phutagae, Nealer, Khalo, et al., 2018). Mahlalela (2014) posits that the RDP programme focused more on the social development of marginalised communities. Thus, the LED had a pro-poor stance. Chomane and Biljohn (2023) further argued that post-1994 LED has the characteristics of both pro-poor and pro-market approaches as a policy response.

A pro-poor approach comprises redistributive and inclusive policies pursued by the government to target the poor among the population and those who have been historically marginalised (Chomane and Biljohn, 2023). These policies are intended to increase the participation of these segments of the population, ensure that they become self-reliant, and increase collaboration with stakeholders in the locality for sustainability and inclusive development (Molefane, 2006). Nel and Rogerson (2015) posited that in the pro-poor approaches, various stakeholders are mobilised, and they learn about the economic and business opportunities available in their territories to improve the local conciliations and LED. The stakeholders referred to include the government from the three spheres (national, provincial, and local), community members, the civil society (which includes non-governmental organisations and community-based organisations), and the business sector (Rodríguez-Posse and Tijmstra 2005). Against this backdrop, pro-poor policies are aimed at addressing the inequalities through the integration of the poor and marginalised into mainstream economic activities, such as mining, manufacturing, agriculture and the service sector. However, attaining these aims will require supporting small business enterprises and cooperatives operating in municipal areas. Pro-poor LED approaches and strategies emphasise poverty alleviation through job creation, a regularity framework targeting the poor and marginalised through the stimulation of economic activities. However, Hosifi, Mbeba, Maredza, and Choga (2013) argued that the LED goal to eradicate poverty has not been achieved because of poor support structures, poor basic design and poor infrastructure of the government.

On the other hand, pro-market LEDs redirect towards achieving high and stable economic growth rates (Molefane, 2006). The approach is aimed at enabling municipalities to respond to macro-environmental changes. Here, the business sector and individual entrepreneurs are at the forefront of economic growth and very eradication (Mensah, Bawole, and Ahenkan, 2017). The municipalities need to create a conducive environment that is accompanied by regulatory frameworks for businesses, and they need to provide support to small and medium enterprises, promote investment in the locality, and market the location nationally and globally (Molefane, 2006; Nel and Rogerson, 2015). The market LED approach focuses on increasing the competitiveness of the locality and has been adopted in South African cities, which are Johannesburg, Durban, Cape Town, Pretoria, and Ekurhuleni. According to Rogerson (2011), LED in these cities is dominated by market-led approaches geared towards increasing the competitiveness of these cities as well as high economic growth rates. Disappointingly, the LED units established at the Mangaung Metropolitan Municipality in Bloemfontein are not fully operational or non-existent, therefore leaving LED strategies unimplemented. To this, Meyer-Stamer (2006) indicated that the business sector often withdraws its involvement and contribution, claiming that the LED doctrine is all talk and no action.

According to Rogerson (2011), LED initiatives are not directed toward the market-led approach, which not only facilitates the functionality of the local markets and their competitiveness but also joins major development with socio-economic development and infrastructural development. As a result, a paradigm shift in LED has been proposed in South Africa (Hofisi et al., 2013). Van Kesteren, Dekker, Miroro, Gassmann, and Timár (2018) argued for a broader economic impact, a shift towards a pro-poor approach, and initiatives will necessitate striking a balance between pro-poor and pro-market approaches. 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. Nel and Rogerson (2015) and the South African Cities Network (2019) claimed that the pro-poor and pro-market approaches are in operation in South African cities. However, unemployment, including that of the youth, is identified as a challenge for LED. Statistics South Africa (Stats SA) (2024:2) reported that unemployment increased by 46,000 in the fourth quarter, while youth unemployment increased to 44.3% in the same quarter. The factors for high unemployment include the lack of education, experience, and skills needed in the job market, skills mismatch, the unwillingness of the private and public sectors to hire first-time job seekers, and the loss and unavailability of jobs. All these factors are reasons people join the informal economy, highlighting its role as a shock absorber.

4. ABOUT MANGAUNG METROPOLITAN MUNICIPALITY (MMM) AND BATHO LOCATION

The Mangaung Metropolitan Municipality (category A) is centrally located within the Free State Province, South Africa. The municipality is one of the eight metropolitan municipalities. The municipal area of Mangaung covers approximately 9 886 km2 and has three urban centres (Bloemfontein, Botshabelo, and Thaba Nchu), and is surrounded by rural areas with small towns, namely Dewetsdrop, Wepener, Van Standensrus, and Soutpan (Mangaung Metropolitan Municipality Integrated Development Plan, 2020/21). In 2023, the municipality 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. Recent statistics further hold that the number of people living in Mangaung will increase to 3 203 333 by 2026 (COGTA, 2023) as people move from their place of birth to seek livelihood opportunities. 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).

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 amnesties 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.

Source: Du Bruyn and Oelofse (2020)

FIGURE 1
MAP OF BATHO LOCATION

Batho Location falls under municipal ward one in the Mangaung Metropolitan Municipality, covering an approximate 2.4 km2 land area (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 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 that 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%), only 1.49% coloured, 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, tyre repair and car mechanics, workshops, fruit and vegetable markets, and fast-food outlets. 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 %) (Stats-SA, 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).

5. RESEARCH METHODOLOGY

This study employed a qualitative research approach to gain an in-depth understanding of challenges and perspectives surrounding LED and the informal economy, as well as the perspectives of the informal traders on how these two phenomena have contributed to their livelihoods. A case study research design was chosen to provide a rich and contextualised understanding of the phenomenon. This approach aligned with the interpretivism philosophical stances, which allowed an in-depth exploration of participants' experiences and perceptions regarding the informal economy. In particular, the traders in the location helped to gain a detailed understanding of the municipality's approach towards informal economy participants and whether the challenges and support provided are similar regardless of the place of operation.

5.1 Participants and sample size

The study's unit of analysis was the Mangaung Metropolitan Municipality. However, to maintain the objectivity of the research findings, the study population also included provincial government officials, the chairperson of the informal economy association, and informal traders operating in the CBD and Batho Location, a historically black township in Bloemfontein. A purposive sampling technique was adopted to select 26 participants (senior municipal and provincial government officials, branch managers); this included individuals involved or participating in informal economic activities, specifically street vendor traders. This sample size aligns with the recommendation proposed by Vasileiou, Barnett, Thorpe, and Young (2018) on the number of participants for a qualitative study. The authors argued that a sample size of 20 – 30 participants is sufficient in qualitative research to ensure data saturation. The sample included one municipal manager, 2 DESTEA staff members, 1 SEDA official, and two chairpersons (2) of the informal economy association. The sample also included 12 informal traders from the CBD and seven operating in Batho Locations.

5.2 Data collection process

The data for the study were collected through semi-structured interviews lasting between 45 minutes and an hour. The interviews were conducted in English and Sesotho, the city's widely spoken language, audio-taped, and then translated and transcribed by the researcher. The audio tapes were complemented by written notes.

5.3 Data analysis

The study employed a thematic analysis strategy to analyse the data, and Braun and Clarke's (2006) six-step data analysis process were followed. This process involved coding, categorising, and interpreting the data, as well as identifying recurring themes and patterns, thus creating a platform for future research (Castleberry and Nolen, 2018). In addition to the primary data, secondary data and the evaluation of municipal reports, including the Integrated Development Plan (IDP) of Mangaung, were also used. This was done to confirm findings and whether the informal economy is factored into the IDP and LED strategy, increase viability, and enhance understanding of the studied phenomena in the context of Mangaung Metropolitan Municipality.

5.4 Ethical consideration

The researchers considered the ethical implications of the study. As a result, the researcher secured the privacy and identity of the authorities and other crucial participants in the study, as stipulated in the consent form signed by the interviewees. In addition, the study was consistent with the institution's research ethics guidelines and the government's ethics and research policies. The researchers first received approval from the University of the Free State's Faculty Research Ethics Committee, and the ethical clearance number is HSD202/1097/22.

6. FINDINGS AND DISCUSSION

The main aim of this study was to investigate how the informal economy is challenged, transitioned, and supported to contribute to local economic development. This section presents and discusses the data obtained from the interviews with officials from the Mangaung Metro, the Department of Economic Development, Small Business Development, Tourism, and Environmental Affairs, the Sector Economic Development Agency, the Informal Economy Association, and informal traders.

6.1 Demographics of informal trader respondents

Seventeen informal traders were interviewed to capture how they are challenged and supported to transition to the formal economy. The following tables illustrate the demographics of these respondents. The participants from the CBD (Table 1) consisted of five females and five males, aged between 23 and 58. Likewise, in the Batho Location, seven participants were interviewed, three were females, and four were males. From the informal trader population sampled, 11 participants were from South Africa, seven were from Lesotho, and one Zimbabwean national was interviewed. They engaged in street trading, selling fruits and vegetables, fast food, and traditional herbs, and most of them highlighted that they were owners of the businesses, who decided to open their businesses to earn an income and livelihood.

Table 2. Representation of Central Business District Participants

Gender (M/F)	Age	Country of Origin	Owner / Employee
F	58	South Africa	Owner
M	25	Lesotho	Employee
F	54	South Africa	Owner
F	37	Lesotho	Owner
M	32, 32, and 23	South Africa	Owner (three brothers)
F	43	Lesotho	Owner
F	29	Lesotho	Owner
M	44	South Africa	Owner
M	34	South Africa	Owner
M	43	South Africa	Owner
M	24	Lesotho	Owner
F	42	Zimbabwe	Owner

Source: own compilation

Indeed, the foreign nationals interviewed in the study indicated that they joined the informal economy because they were unable to get jobs in the formal economy. This finding is corroborated by Fubah and Moos (2022) who argued that both documented and undocumented foreign nationals engage in the informal sector, and partly street trading, because of the lack of entry barriers. It is therefore not surprising that the informal economy operates as a sector welcoming foreign nationals who decide to open their businesses. This may be exacerbated by the fact that most of the arriving foreign nationals do not have capital, or business permits to open a formal business.

Table 3. Representation of Batho Location Participant

Gender (M/F)	Age	Country	Owner/ employee
M	24	Lesotho	Employee
M	35	South Africa	Owner
F	34	South Africa	Owner
M	41	Lesotho	Partnership
F	52	South Africa	Owner
M	60	South Africa	Owner
F	46	South Africa	Owner

Source: own compilation

Notably, both South African and foreign street traders are faced with numerous challenges that negatively impact their growth and inhibit them from contributing towards employment creation (Fundie, Chiroso, and Karadia, 2015). The informal traders are faced with challenges ranging from securing a suitable working space and accessing financial services from banks. This study further investigated the challenges that informal traders in the CBD and Batho Location face.

6.2 Challenges encountered by informal traders

The challenges are discussed in the emerging sub-themes below

6.2.1 Lack of infrastructure and Weather conditions

The traders interviewed in the study indicated that securing sufficient business space is a major constraint. This persists despite the municipality's and DESTEA's efforts to provide trading spaces around the CBD. As a result, some of the informal traders have opened and started operating their businesses on the city's pavements without the proper shelter or facilities, which has made them vulnerable to uncomfortable conditions, such as spending long hours in the heat or freezing weather conditions. A respondent, for instance, explained 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 damaged products and, as a result, they must stop operating on the day or not open entirely. Moreover, many traders who live far from where they operate need help to travel from their homes 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).

6.2.2 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. This is more worrying for those trading food and fresh produce as their stock is more likely to be exposed to unclean air coming from alternative disposal sites. However, a government official believes that the municipality is not solely to blame for the uncleanliness of the CBD:

"The municipality has made efforts to ensure that the CBD remains clean and that 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" (S4).

6.2.3 Business registration

The issue of informal business permits is an issue for both the traders in the CBD and Batho Location. The traders explained that they had visited Mangaung Metro offices to register for business permits, however, they were sent back by the officials citing that the system is offline. In addition, the officials also indicated that they received about 50 traders seeking to register their business in the past, however, the number has decreased significantly because only Tuesdays are dedicated to informal business registration, which is a problem for those who will have to close their business for the day, taking away the opportunity to sell and earn a profit.

6.2.4 Lack of funding

Mago (2021:53) and Akinboade (2005:257) discovered that people frequently needed more finance or capital to begin trading in the formal economy. A person's unemployment can bring this situation about, a lack of income (and savings), or a combination of the two. These difficulties are exacerbated by limited access to financial institutions. Masuku and Nzweni (2021:65), for example, discovered that informal businesses in Duncan Village operate without financial assistance from banking institutions or government funding sectors. The issue of lack of funding is also a constraint to informal traders in Mangaung who explained that they started operating informally due to a need to secure the necessary funds. A government official, however, indicated that there are plans to help informal traders access funding:

"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).

6.2.5 Foreign National's entry into the market

The migration of people from neighbouring countries to South Africa in search of livelihood opportunities is a factor in the increasing number of people entering the informal economy. As argued by Coulibaly, Gandhi, and Mbaye (2019:3), population growth resulting from urbanisation has outpaced the number of opportunities in the job market and economic opportunities. From the sample of participants interviewed, some of the traders explained that this has become a problem for them with migrants entering and infiltrating the market. They would open a stall next to the existing traders and sell the same products at a cheap price.

6.2.6 Covid-19 impact on businesses and livelihoods

The government response to the COVID-19 pandemic affected the social and economic conditions of people living and working in poverty, including informal traders. The South African government was criticised for side-lining informal economy participants due to the lockdown regulations that limited the movement of people. Although the regulations were eased and amended to allow informal trading, the participants in the study explained that their businesses were severely impacted, and they could not earn an income. 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).

An important step was taken by the government to ensure that traders were protected by providing financial assistance to businesses. The government allocated R2 billion to small business and spaza shop owners and mentioned an additional R200 billion in loan guarantee schemes by the National Treasury and the

South African Reserve Bank (The Presidency, 2020). The measures also included the different government support programmes intended to assist businesses, including informal businesses. A similar measure was taken by the government during the 2008 financial crisis with the Industrial Development Corporation's allocation of R6 billion investment to save industrial businesses. However, the participants in the study indicated that they never received the grant. Instead, a respondent from the informal economy association corroborated and mentioned that:

"The association approached DESTEA and found that only 10 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" (S6).

The requirements for formal and informal businesses to have municipal business permits were in line with criteria set out by the Department of Small Business Development (2020) that businesses need to be registered with the revenue services and that they have a record of monthly management accounts. Consequently, the traders in both the CBD and Batho Location mentioned that they do not have permits yet.

6.3 Support to the informal economy

Previously, perhaps most of the informal business owners could not manage their business finances and did not know about bookkeeping. This situation is due to a lack of training and knowledge in business management. However, to ensure the growth and development of small business owners, including those in the informal economy, the officials from SEDA indicated that they provide training in drafting business plans and business registration. A government official, for instance, expressed that:

"We do have plans for informal traders. The first thing we do is to capacitate them. 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. One requirement is to have undergone training and a municipal business permit" (S3).

However, an official from SEDA explained that SEDA does not support traders selling branded clothes bought from Gauteng. Moreover, support is not provided to foreign nationals.

6.4 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).

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. 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.

6.5 Collaboration between stakeholders

The stakeholders were asked about their engagement with each other 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. However, the participants explained that national government intervention in the municipality in terms of section 139 of the Constitution as well as the lack of appointment in strategic positions has made it difficult to interact with the municipality and hindered providing support to the informal economy participants.

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).

6.6 Transitioning to formalisation

The National Informal Business Upliftment Strategy (NIBUS) and the 2016 Roadmap Implementation envisioned that once the government sets out a policy and enabling regulatory environment, informal According to Tshuma and Jairi (2013), the bureaucratic and legal requirements make it difficult for the informal business to formalise. The participants in the study explained that they opened their businesses to avoid the regulations and tiring process of having to register their businesses, while the participants mentioned that they avoided registering their businesses in fear that they would lose university funding for their children. Mahadea and Zogli (2018) found that in Ghana harassment from municipal inspectors is one of the factors that hamper the growth of the informal sector and the likelihood of informal businesses transitioning to the formal economy. Consequently, there is also a fear from the traders to formalise due to the potential harassment from municipal officials. When asked whether the association encourages traders to formalise, the official expressed that:

"Formalisation is that it seems to worsen the situation; traders will get more harassed and discriminated against than when they are informal" (S4).

6.7 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 indicating that most of the by-laws touching on hawkers have not been reviewed in a long time. 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.

6.8 Issues with LED in the Mangaung Metro

The research found that the Mangaung Metropolitan Municipality still needed to implement the local economic development strategy. A government official explained that this has made it almost impossible for the

municipality to attract businesses and investment. Typically, attracting business and investment to the local economy is a goal for a pro-growth LED strategy to enhance economic growth and eradicate poverty.

7. RECOMMENDATIONS

This section provides recommendations to the Mangaung Metropolitan Municipality, DESTEA, SEDA, the informal economy association, and informal traders on how the informal sector can be supported to contribute to more sustainable and inclusive LED.

7.1 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). 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:

7.1.1 Recognise informal traders in the location

The findings 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.

7.1.2 Promote mixed economies

The focus of the LED processes on attracting formal business reduces the creation of a sense of local competitiveness. Moyo (2007) argued that the LED effort tends 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 the 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.

7.1.3 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.

7.1.4 Infrastructure provision

The findings revealed that infrastructure remains a concern for informal traders. 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. 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 informal traders can afford market-related prices. Therefore, the study recommends making a subsidy available for informal traders.

7.1.5 Provide incentives like those provided to the formal sector

As highlighted, the informal sector needs to be supported as a foundation for 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.

7.1.6 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 achieve any success and thus stopped in their attempts to obtain one. 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 who have registered their businesses with the municipality.

7.1.7 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 clarify the process that foreign informal traders must follow and comply with. The officials at DESTEA highlighted that the Local Economic Development Integrated Bill would help govern how foreign nationals entering the sector must be governed. 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) 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.

7.1.8 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 they were not making enough profit. 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. However, funding local informal traders will require ensuring that LED initiatives are funded to enable local officials to also drive the LED process.

7.1.9 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. Indeed, the lack of capacity, as Hofisi, et al (2013) argued, results in the dependency on consultants who not only drain the musical financial resources but also lead to LED strategies which do not address the reality of the locality. This is confirmed by Van der Heijden (2008) when he argued that consultants are not necessarily linked to the economic and social situation of the locality, thus their proposed LED plans often focus on projects with unrealistic targets, and they are not able to identify the diversity of local development, leading to poor implementation. Against this background, the study recommends identifying LED programmes at the local universities and exposing the local government to the LED initiative adopted in other municipalities.

7.1.10 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 its 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.

7.2 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 had a qualification(s), the others managed to attend up to secondary and did or passed matric. Other respondents had no formal education. Due to the strong link 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 the Sectoral Education and Training Authority are important in this regard.

7.3 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. This is believed to 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. 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.

8. CONCLUSION

The informal economy plays a significant role in the economic development of developing, emerging, and developed countries due to its GDP contribution and its ability to generate work and business opportunities. Unfortunately, in the context of South Africa, unemployment is also an LED challenge, contrasting with the objectives of creating employment and eradicating poverty. The unfortunate situation is caused by the lack of education, experience, and skills needed in the job market, skills mismatch, the unwillingness of the private and public sectors to hire first-time job seekers, and the loss and unavailability of jobs. All these factors are reasons people join the informal economy, highlighting its role as a shock absorber. For this reason, this article aimed to explore how the informal economy is challenged, transitioned, and supported in Mangaung Metropolitan Municipality.

9. 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 Locations. Based on the limitations 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. Against this backdrop, opportunities for further research have been identified on why locals sell or rent out their stalls or backyard shops to foreign nationals and how this has impacted the livelihoods of the foreign nationals and the previous owners. Moreover, 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.

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COMPETING INTERESTS

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