

## THE INFORMAL ECONOMY IN MANGAUNG, FREE STATE, SOUTH AFRICA

**African Institute for Community-Driven Development**

Email [admin@aicdd.org](mailto:admin@aicdd.org) Website [www.aicdd.org](http://www.aicdd.org)

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## Glossary

AICDD	African Institute for Community-Driven Development
BEE	Black economic empowerment
BNPP	World Bank-Netherlands Partnership Program
CBD	Central business district
CDE	Centre Development and Enterprise
CPFSP	Community Projects Fund Support Programme
DPLG	Department of Provincial and Local Government
EDS	Economic Development Strategy
EPWP	Expanded Public Works Programme
FNB	First National Banks
FSDoA	Free State Department of Agriculture
GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution Strategy
IDP	Integrated development programme
LED	Local economic development
LGWSETA	Local Government and Water Sector Training Authority
LRAD	Land Reform for Agricultural Development programme
NALEDI	National Labour economic development Institute
SACN	South African Cities Network
SARS	South African Revenue Services
SALGA	South African Local Government Association
SMME	Small, micro and medium sized enterprises

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## Executive Summary

### 1 Introduction

1.1 This project is supported under a World Bank-funded study of Pro-Poor Local Economic Development in South Africa. This is a report of the research that was undertaken between from January to February 2005 where a closer look was taken at the informal sector of Mangaung Local Municipality's economy. The research team comprised of researchers from Khanya- managing rural change now known as the African Institute for Community Driven Development (AICDD) in conjunction with students on LGWSETA Learnerships based at Mangaung Local Municipality LED office.

1.2 According to Hartzenburg and Leiman, "the informal economy is defined to encompass all economic activities pursued without the sanction of authorities i.e. those not recorded in the national accounts" (Rogerson, 1996:2). Mangaung Local Municipality sees informal traders as those businesses that are not registered with the Registrar of Business and the South African Revenue Services (SARS).

1.3 Mangaung has a population of 645 438. The economy is predominantly driven by services including government, finance, transport and trade. According to the IDP an estimated 48% of men and 52% of women are in the informal employment. In addition many of the services received by local people actually come from the informal sector such as burial societies and traditional healers.

1.4 The top priority in Mangaung's IDP is economic development, a priority derived from planning in all the 43 wards, with a target growth rate of 4.5% and 6000 jobs created. Two key programmes have been defined in the IDP, Economic

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Growth, and Regeneration of the Central Business Districts (CBDs). The strategies defined to improve economic growth include inward investment, local purchasing, development of target sectors (primarily services and agriculture), SMME development, skills development, and development of the informal economy. A LED Unit has been established but is understaffed.

1.5 The case study focussed on the informal sector key role players within Mangaung Local Municipality. A survey was conducted, in the CBDs of Botshabelo, Thaba Nchu and Bloemfontein, interviewing 43 informal sector operators, and some public and private support agencies. Some comparisons are drawn with a survey conducted by the University of South Carolina and UNISA, which surveyed 800 businesses.

## **2 Characteristics of the informal sector in Mangaung**

2.1 30% of the traders were women, and the age range was from 18-64. 31% had no secondary education. 21% were also employed in a formal sector job.

2.2 There were a wide range of occupations including hawkers, spaza shops, fast foods, sangomas, hairdressers, illustrating the diversity of the sector. The biggest group of 27% were street hawkers. They work an average of 7 hours a day but this varies from day to day and month to month. 89% of the respondents reported that their main source of income is from their businesses and incomes range up to R90 000 per month, the latter for a shebeen. A national survey by UNISA/University of South Carolina found an average of R5300 per month. The hawkers had the lowest earnings.

2.3 42% of the sample were in formal employment prior to starting their informal business, compared to 34,5% in the UNISA/South Carolina study. 77% percent

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reported using personal savings to start their business with 16% raising the finance from family or friends. 12% had been in business for less than a year, with 35% between 1 and 3 years and nearly a quarter in businesses over 7 years.

2.4 Over three quarters of the sample started their business from personal savings and the earnings from the informal businesses contribute a large portion the trader's main source of income. Almost half of the businesses are not registered (22) and 30 (70%) have no licence for their operation.

2.5 For those traders that trade in the sale of consumables, the main suppliers are local shops within the Municipal area, mostly from retail shops in Bloemfontein.

2.6 All the traders have the basic tools to run their businesses. In order to enhance their businesses they cited the need for proper shelter and electricity and water supply, including amenities such as toilets. Earnings from business are too little and inconsistent to rely on. The other challenge is the perception that too many businesses sell the same product within the same area of operation, the traders rely heavily on passing trade for the generation of sales of their products.

2.7 Only 5 respondents reported to have received formal training to run their business.

### **3 Role of public and private support agencies**

3.1 The respondents did express a desire to grow their businesses. However they do not know what or where to go for information and training to grow their business

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3.2 The Municipality has a unit responsible for the registration of the informal traders, these are mainly street vendors. The Municipality is committed to facilitating the growth of the informal sector especially those traders who are generating income allowing them to employ at least two people, to be able to become sustainable SMMEs. Currently there are 622 street vendors recorded in the Municipality's database of traders operating within the Bloemfontein CBD. There is still a rural-urban divide within Mangaung Local Municipality, and informal traders in Thaba Nchu and Botshabelo whilst being part of the municipality the informal traders in those areas are still not formally registered on the Municipal databases.

3.3 The Department of Agriculture has many projects in the Province that are supporting small businesses with an LED component right across the Free State Province, supported through the Community Projects Fund Support Programme (CPFSP). Thus it is difficult to pinpoint projects specific to Mangaung local Municipality, at a governance level the Department has taken initiatives to work with municipalities in the drafting of IDPs so that the agricultural projects are built into the budgeting plans of the department of agriculture specifically. The Department also provides extension support to agricultural projects, but is limited by the number of staff available.

3.4 In the Free State the offices of the Department of Trade and Industry are situated in the Provincial Department of Economic Affairs and Tourism. According to the official interviewed, the Department does not view LED as being an integral part of their services. However there are links in terms of collaboration with other Departments on LED initiatives.

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3.5 The core mandate of the Department of Labour is to publish and regulate labour practices and activities across the South African labour force and promote skills development. They see LED as a poverty alleviation strategy.

3.6 One commercial bank was interviewed (FNB) which provided information within the project timeframe. FNB is involved in the learning and development of initiatives whereby the Bank grants funding for business skills development, as being approached by other stakeholders involved in LED initiatives. FNB has also created some products relevant to the informal sector such as a Stokvel group account, and an account for groups such as burial societies.

#### **4 Emerging lessons to encourage the growth of the informal sector**

4.1 Around 50% of the working population in Mangaung is engaged in the informal sector. 42% of businesses had been employed prior to starting their business and so many have seen the informal sector as offering a better living than their previous employment and in some cases as a means to supplement existing meagre earnings, and in some cases not so meagre. While many of the businesses were small, some had turnovers of up to R90 000 per week, notably a club. This illustrates that not all informal sector business are small and are a route to an expanding SMME. Recent studies point to the significance of the informal sector as purchasers of some formal sector products, eg buying 43% of all potatoes traded at markets.

4.2 The market for the informal sector is often people who are marginalised, unemployed, poor, and unwell. Goods tend to be sold on credit and cheaply. 75% of people in Mangaung have incomes below R800, so that a high proportion of

families are experiencing poverty<sup>1</sup>. This means that communities have very limited income to be able to support informal traders. For there to be a proper market for the informal sector and for the sector to rise beyond a survivalist business, their target market needs to have higher purchasing power. These points to the importance of creation of employment opportunities, as well as a variety of livelihoods support mechanisms such as social grants, temporary employment schemes, and promotion of local purchasing.

4.3 Several traders mentioned the need for proper shelter and electricity and water supply, including amenities such as toilets and storage facilities. These are facilities that are easy for the municipality to supply, eg as part of proper market facilities.

4.4 Most of the traders have little capacity to buy in bulk and therefore to improve their profit margin. It would be interesting to explore how bulk purchasing schemes could assist such traders.

4.5 77% percent of the respondents reported using personal savings to start their business with 16% raising the finance from family or friends, and 42% were in employment prior to starting their business. While having limited access to credit, many traders were extending credit to their customers. Even the Mzansi account is relatively high-cost, and has limited services. There are some sources of grant schemes, eg the Department of Agriculture or Eskom. This points to the importance of credit schemes which allow informal traders to increase their access to credit from small beginnings, using a good credit history rather than collateral as security for the loans. Such schemes are being used by the Land Bank for example, starting with R500 loans. Another possibility is stokvel-type voluntary saving and loan schemes.

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<sup>1</sup> IDP, 2005.

4.6 41% of the traders had completed secondary education, while 31% had no schooling or only primary schooling. This is higher than the average for the area, perhaps reflecting that these people are more dynamic than other unemployed people, but still low. Only 5 of the informants had had training in their business. Training is important but a flexible schedule is needed, eg classes provided over a six months period for say one hour a week. Some mechanism is needed for business advice to these traders eg using community-based micro-business advisors, supported by small business advisors, possibly provided by a local NGO such as MUCPP or Phaphamang.

4.7 Mangaung has byelaws affecting informal trading in the Bloemfontein area, but not Botshabelo and Thaba Nchu. There should be a review of byelaws affecting the informal sector to see whether there should be a size threshold at which they apply, and they should apply throughout the municipal area.

4.8 Mangaung Municipality has had meetings with the sector, generating goodwill on all fronts. This is important in solving the problems facing the informal sector as well as assisting participants to be creative in their solutions.

4.9 There is a problem in inadequate coordination amongst a variety of agencies interacting with and supposedly supporting the development of the informal sector. While the introduction of IDPs and LED strategies seems to have helped, there still seems to be a lot of independent rather than coordinated action across government.

4.10 Informal traders from Thaba Nchu and Botshabelo are not receiving the same services as the informal traders in Bloemfontein, perpetuating the high levels of unemployment. It is essential that appropriate private and public sector support

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services for the informal sector are located in Botshabelo and Thaba Nchu to permit such businesses to develop and grow.

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## 1 Introduction

### 1.1 Background to the project

The Dutch Government, through the World Bank-Netherlands Partnership Program (BNPP), has approved a grant to the World Bank for a knowledge-generation activity entitled "Evaluating and Disseminating Experiences in Local Economic Development" with emphasis on their relevance to poverty reduction and applicability to low income countries". The motivation for the grant is specifically to expand knowledge about programs and approaches for "pro-poor" local economic development that have had some evidence of success and may be applicable to the conditions of low income countries and cities, specifically those in Sub-Saharan Africa. The program includes funding for a review of selected LED activities in South Africa and dissemination activities. South Africa was identified for the study as a country that has had a deliberate policy and practice of strategic local economic development, intended to support opportunities for low income individuals and their communities.

Partners in the project include Rhodes University, the African Institute for Community-Driven Development (AICDD, formerly Khanya-managing rural change), University of the Witwatersrand, University of KwaZulu-Natal, and Mangaung Local Municipality<sup>2</sup>. dplg, the SA Cities Network, SALGA, National Treasury, Local Government and Water Sector Training Authority (LGWSETA) serve on a national reference group.

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<sup>2</sup> The HSRC were a partner, but due to other commitments have had to withdraw and will provide a role in peer reviewing the work.

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The project purpose was “By December 2004, to have developed an understanding of how pro-poor LED is interpreted and applied on the ground in South Africa, placing specific emphasis on pro-poor outcomes and mechanisms which can serve to realistically lay a basis to develop a monitoring and evaluation framework. The outcomes will be of relevance to local stakeholders and have potential significance for the application of LED in other countries”.

This is a report of research undertaken from January to February 2005 of the informal sector of Mangaung Local Municipality’s economy. This focused on the identification of the place and operation of the informal sector in Mangaung’s economy, how it is supported and incentivised, and what would help it to grow and contribute more effectively to both people’s livelihoods and the broader economy.

The research team comprised Lindi Mdhuli supported by Thandi Henson from the African Institute for Community Driven Development (AICDD) in conjunction with students on LGWSETA Learnerships based at Mangaung Local Municipality LED office. The report was written by Lindi Mdlhuli, Thandi Henson and Ian Goldman.

## **1.2 Defining the informal sector**

According to Hartzenburg and Leiman, “the informal economy is defined to encompass all economic activities pursued without the sanction of authorities i.e. those not recorded in the national accounts” (Rogerson, 1996:2). A study conducted by Hirshcowitz et al (1991) for the Human Sciences Research Council came up with a description of an informal business drawing from the

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recurrent characteristics of an informal business. According to Rogerson (1992:2) an informal business is characterised by at least two features:

- the size of the business as measured by the number of employees;
- the absence of officially recognised business premises;
- the business not being officially registered;
- Lack of official records of the business and diminished or reduced access to resources in the formal sector.

Mangaung Local Municipality sees informal traders as those businesses that are not registered with the Registrar of Business and the South African Revenue Services (SARS). The other distinguishing feature for them is that informal business does not pay rates and taxes other than the stipulated rental fee of R30 which is paid to the Municipality.

50% of the population of Mangaung is employed in the informal sector (see Table 1.3.2). Its importance in ensuring sustainable livelihoods is therefore enormous. Until recently however its importance was neglected. However since 2004 when the President raised the issue of the first (formal) and second (informal) economies in his State of the Nation Address the second economy is getting a much higher profile. In her speech at the opening of the Free State Legislature, former Premier of the Free State IW Direko, spoke about the “Thousands of men and women who eke a living by selling their wares at street corners, bus stops and taxi ranks in this province are the embodiment of the Second Economy. These are men and women who have chosen to put their shoulders to the wheel. ‘We have to turn these people into thoroughbred entrepreneurs’” (Premier IW Direko, Opening of Free State Legislature, 2004).

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According to Statistician General Pali Lehloba, SA's informal economy employs up to 1.8 million people, generates a turnover of at least R66 billion a year, and was responsible for 5% of GDP<sup>3</sup>. Agriculture in SA is increasingly sustained by informal traders. Hawkers buy 43% of the potatoes traded on markets and 23% of all market produce. Vendors probably account for 30% of sale at fresh produce markets. In Johannesburg 27% of all fresh produce is bought by informal traders and this share is growing by 2% per year.<sup>4</sup>

Other evidence for the importance of the informal sector is provided by a study of the informal sector and Coca Cola which showed that as many as 70 000 people in the informal sector depended on Coca Cola SA products for employment and these people generated 40-50% of the groups annual turnover<sup>5</sup>.

This research aims to complement this work in exploring the informal economy in Mangaung municipal area.

### 1.3 Mangaung

The municipality is situated in the city centre of Bloemfontein, the capital of the Free State Province and the judicial capital of South Africa. According to the new demarcation processes the municipal area stretches to include two major centres of apartheid's 'displaced urbanisation' (Botshabelo and Thaba Nchu). According to the 2001 Census Mangaung has a population of 645 438, the second smallest of the nine South African Cities Network cities in population size, but with the largest municipal area. Because of its settlement form, the Municipality has

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<sup>3</sup> Quoted in Sunday Times, 12/12/04

<sup>4</sup> Business Day 16 November 2004

<sup>5</sup> Business Day 16 November 2004

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extremes of wealth and poverty. Between 1946 and 1996, the city had the fastest annual growth rate of 4% when compared to all other cities in the country. This growth slowed dramatically in 1996-2001. The economy of this area is largely static, based mainly on the social/community/government sector. In the last decade over 10 000 jobs were lost. (SACN, 2005).

Table 1.3.1 shows the importance of services including community services (including government), Finance, Trade and Transport to Mangaung's economy, with a very limited contribution from manufacturing and primary production. The strengths of Mangaung's economy lies in its regional service centre role, implying development potential in the trade, transport and service sector. Weakness lies in a concentrated economy with high levels of unemployment, illiteracy and poverty. Economic growth is currently at 1.8%.

**Table 1.3.1 Sectoral contribution to GGP contribution in 2000 (PIMSS.Net)**

	Sector	% of Mangaung's GGP produced in:			
		Bloem	Bot	Thaba Nc	Total
Primary production	Agriculture, forestry, fishi	2.9	0	0.1	3.0
	Mine/Quarry	0.3	0.1	0	0.4
Services	Finance and real estate	15.6	0.9	0.6	17.1
	Community Serv (including Governance)	32.2	3.3	2	37.5
	Trade, caterin accommodation	12.4	1.0	1.7	15.1
Manufacturing		6.6	0.8	0.5	8.0
Utilities	Electricity, gas, water	2.5	0	0.4	2.9
Construction		2.6	0.1	0.2	2.9
Communicatio	Transport, communicatio	12.0	0.9	0.3	13.2

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Sector	% of Mangaung's GGP produced in:			
	Bloem	Bot	Thaba Nc	Total
<b>Total</b>	<b>87%</b>	<b>7.1%</b>	<b>5.9%</b>	

Mangaung's economy makes up about a quarter of the entire Free State economy. When compared to the overall growth of the province, Mangaung outperformed the province in all sectors except for agriculture. Sectors showing growth are transport and finance, while the construction and manufacturing sectors are experiencing negative growth. Table 1.3.2 shows the degree of informal employment in Mangaung, illustrating how important it is to the local economy and to support livelihoods.

**Table 1.3.2 % of informal employment in Mangaung (from the IDP, 2005-6)**

Magisterial district	% of informal employment by sex	
	Males	Females
Bloemfontein	54%	46%
Botshabelo	31%	69%
Thaba Nchu	52%	48%
Total	48%	52%

Many of the services received by local people actually come from the informal sector. Table 1.3.3 summarises the results of a Venn Diagram exercise conducted during ward planning in Mangaung in Ward 2 in 2001. This illustrates the importance and accessibility of many informal sector service providers such as burial societies and traditional healers.

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**Table 1.3.3 Organisations and projects in Ward 2 (Mangaung township) and their perceived importance and accessibility (from the IDP, 2005-6)**

Organisation	Importan (out of 4)	Accessibili (out of 3)	Comments from the community
<b>Government and parastatal</b>			
Social Workers	4	1	People were confused about their role
Health (clinic)	4	3	
Health inspector	3	1	Some people felt it was important
Municipality	3	1	Water service felt to be good but sanitation pipes as blocked up often and not repaired for a long time
Halls of municipality	3	1	Available but expensive at R110 per day
Swimming pool	3	1	Not one in the ward
Caleb Motsabi Sports C	3	3	Felt to give good service
Boicujo Old Age Home	3	3	For aged who have no-one to look after them.
Telkom			
Post Office			
Court			
Police	3	2	
<b>NGOs</b>			
Oranje Vroue Vereeniging	4	1	Only 2 out of 13 people knew it. Provides food and clothes
Day care centre disabled	4	3	
Church groups <sup>6</sup>	3	2	Accessible if pay contributions
Association of people living with HIV	3	1	Most people don't know of it
Association for the blind	3	1	Take a month to respond
Association for the elderly	2	1	Most people hadn't heard of it

<sup>6</sup> Anglican, Methodist, Catholic, NGK, United, AME, ZCC, Ethiopian etc

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Organisation	Importan (out of 4)	Accessibili (out of 3)	Comments from the community
Youth against Elder Abuse	4	1	Again not well-known
<b>CBOs</b>			
Fairway Burial Society	4	3	
Iphameseng Trust	1	1	
Financial clubs including stokvels and grocery clubs	3	3	
Kgauhelo Project			Home-based care for HIV – not funded
<b>Private sector</b>			
Surgery			
Traditional healers	2	3	
Range of shops <sup>7</sup>	4	1	Few shops in area
Vodacom			
Shebeens/taverns			
Computer school			Expensive and many don't know of it.

The amount of economic activity in the informal sector (petty trading, and other forms of non-waged work) is often hidden and underestimated. However, it provides the sole regular income for many households in and around towns (see Table 1.3.2). Many rural people rely on cash or kind from informal sector activity to supplement subsistence agriculture and money sent home by relatives working in formal sector. It is often work in the informal sector that puts women at risk of contracting HIV in the first place and a significant number are involved in high-risk occupations, such as sex work and beer brewing (Jackson, et al. 2000: 25).

<sup>7</sup> Includes tuck shops, butchery, photographic studio, funeral parlours, MTN shop, filling station, spare parts shop, 4 hair salons

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#### **1.4 Mangaung Local Municipality's approach to LED**

Mangaung had no LED unit or explicit policy prior to 2002, when the first IDP was developed. During this IDP, the overwhelming priority identified by the wards during participatory planning in all 43 wards was creating jobs and incomes. This became the top priority and a specific thrust in the IDP, The vision for Mangaung as developed by a forum representative of municipal stakeholders is:

##### **Our vision**

***“By 2015 Mangaung is recognised nationally and internationally as a safe and attractive place to live, work and invest.***

*There are good and accessible basic services for all and a dynamic economy with a high employment rate, many innovative formal and informal businesses and a highly skilled workforce.*

*Mangaung's citizens have great civic pride, responsibility and strong partnership ethos, and there is a vibrant cultural life. Citizens participate actively and trust their service providers, who operate with a culture of transparency and accountability.*

*Poverty has reduced, everyone has access to land and housing, there is a much more equitable distribution of wealth and health and disadvantaged groups are participating actively in society and the economy.”*

*Mangaung is attractive, safe, clean, green and healthy, and sought after by visitors and investors.*

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The 8 primary development objectives to be achieved by 2006 are shown in the box below, with economic objective as first priority.

**By 2006**

- 1 **Economic growth** has improved to 4.5%, and 6000 new jobs will have been created.
- 2 **Communities** in Mangaung are **self-reliant, proud and strong**, the risks that face them have been reduced, and women and the disabled are mainstreamed in society.
- 3 80% of the residents see Mangaung as a **safe and secure** place to live in, visit and do business, and crime levels have fallen by 20%.
- 4 The percentage of **HIV infection** amongst antenatal women has reduced to 20% (and amongst youth under 18, to 15%) and the impact of HIV/AIDS on individuals, families and communities will have been reduced
- 5 70% of the Mangaung inhabitants are living in **housing** to NHBRC standards and the majority own their houses.
- 6 The standard of **education** in Mangaung has improved with a matric pass rate of 65 % literacy levels have risen to 90%, these is easy access to post school education and training opportunities at all levels, and Mangaung is recognised nationally as a centre for high quality learning.
- 7 All residents on existing formal erven have access to a **water** connection on their stands, 85% to basic RDP standard **sanitation** and 65% to a properly drained all weather **street**.
- 8 We have an **attractive environment** with clean, well-kept natural open spaces, parks and well-maintained built environment

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Figure 1.4.1 shows the strategic thrusts of the Municipality, and the programmes that are related to this.

**Figure 4.1** *Mangaung's strategic thrusts and the related IDP Programmes*



The economic focus is key across all programmes, but 5 in particular are seen to have direct impacts as shown in the diagram above:

- economic growth
- CBD regeneration
- Clean environment
- Education

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The economic growth programme has a particular focus. The objective of this programme is:

By 2006 economic growth will have improved to 4.5%, 6000 new jobs will have been created and poverty will be reduced significantly

The key targets are shown below in Table 1.4.1.

**Table 1.4.1 Key targets of economic development programme**

Indicator	Baseline (2001/2)	IDP Target for June 2006	2005/6 target
Expanded Unemployment Rate	104 583 (40%)	35%	2.5% reduction
% Households earning less than R1100 real per month	53.3%	48%	50%
Increase in GGP		4.5%	2.5%
Increase in number of formal sector jobs	156 874	162 874 (+ 6000 jobs)	1000

The main strategies identified are shown in Table 1.4.2.

**Table 1.4.2 Key strategies in Mangaung's Economic Development Programme**

Identifier	IDP Strategy	Target for 2005/6
LED 1	By 2006 to attract 20 major <b>national and international investors that are environmental friendly</b> , creating 3000 new jobs;.	5 investors established in Mangaung that use energy efficient measures, clean technology, waste reduction methods and that employ large number of people.
LED 2	To promote additional purchasing of <b>local products and services</b> to the value of R50m per annum by 2006;	R25m internal <sup>8</sup> R25m (external)
LED 3	To assist <b>key sectors</b> in Mangaung to develop & grow so diversifying the economy	400 new jobs created in: <ul style="list-style-type: none"> <li>• Manufacturing</li> </ul>

<sup>8</sup> Could consider looking at indicator in terms of percentage procurement from local suppliers by other major employers in the area.

Identifier	IDP Strategy	Target for 2005/6
	and making it more resilient (health, education, agriculture, tourism, sport and recreation, legal, manufacturing)	<ul style="list-style-type: none"> <li>• Transport</li> <li>• Agriculture (large and small-scale)</li> <li>• Tourism</li> </ul>
LED 4	To support development of a well established and sound <b>SMME</b> sector, increasing the number of SMMEs by 35% and creating 1000 new jobs;	30% of new SMMEs surviving beyond 3 years 200 new jobs created by local SMMEs /annum
LED 5	Provide support to the informal economy	100 people in informal sector assisted through MLM programmes.
LED 6	To ensure a skilled and well-trained <b>workforce</b> in the Mangaung area, with literacy rates of 90%;	100 learners trained through 5 skills programmes for SMMEs matched to market demands and 20 learners per learnership or skills programme (no. of learnerships & skills programmes per SETA active in Mangaung) 1% increase/annum in literacy rate
LED 7	To facilitate improved access to finance for local SMMEs	100 PDI SMMEs assisted with financing by local financial institutions
LED 8	To improve people's <b>livelihoods</b> through encouraging a range of community-based LED <sup>9</sup>	200 people having livelihoods supplemented through labour-based construction, community based services etc No. of co-operatives created.
LED 9	Establish and sustain the Mangaung Economic Development Partnership	3 partnership agreements concluded for implementation of EDS projects
LED 10	Promote a culture of entrepreneurship as a prelude to SMME development	X people exposed to training and awareness raising around entrepreneurship through MLM activities
LED 11	Market & promote the city's competitive advantages	X% of business people in survey in Johannesburg aware of Mangaung and have a positive attitude.
LED 12	Facilitate implementation of N8 Corridor	Target?

This shows a range of strategies ranging from investor attraction, sectoral development, SMME development, human resource development, and promoting access to finance. The full programme is attached in Annex 6 showing the particular projects and activities planned under this programme.

A LED Unit has been established as result of the first Economic Development Programme, headed by a General Manager, with an SMME development officer, and someone specialising on traders. There are proposals for project managers

<sup>9</sup> Important link with the Community Resilience 1 strategy.

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for the CBD and other posts, so the unit is very understaffed at present. Also as a result of the first IDP, additional funding was acquired from USAID to fund development of an Economic Strategy, and to work on partnerships. It was decided not to establish an Economic Development Agency at this stage.

One strategy is specifically around the informal economy and a policy is being developed, which will be informed by this case study.

## **1.5 Methodology**

### 1.5.1 Survey methodology and the questionnaire

The case study focussed on the informal sector key role players within Mangaung Local Municipality.

Three types of questionnaires were drawn up by the researcher team. The first questionnaire was intended for traders in the informal sector, the second was for public institutions and the third for the private sector. Copies of the questionnaires are attached as Annex 1, 2 and 3. The questionnaire sought to establish the place of the informal sector in Mangaung's economy. This included:

- How important is the income/ assets generated from informal sector for livelihoods;
- who is involved;
- where are they found;
- what support do they get (including incentives);
- what activities are they doing;

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- how does the informal sector fit into services provided and the policy environment (and implications for wider national policies) and what are their views.

Administration of the questionnaire took the following form:

- 1) Fieldwork going into the areas of operation of the informal traders within the municipality's central business district (CBD) areas with a few from the neighbouring townships
- 2) Face to face interviews with key officials from selected government departments including municipal officials responsible for the informal traders.
- 3) Face to face interviews with personnel from key role players from the private sector, however this part seemed difficult because not enough appointments were secured, in fact only one institution from the private sector responded.

#### 1.5.2 Sample and Sampling method

The population of interest was the **informal traders** within Mangaung local Municipality. The initial sampling method was to identify popular trading spots for informal traders within Mangaung, including areas in the affluent suburbs of Bloemfontein. The intended size of the informal trader sample was 50, but due to time constraints only 43 respondents were reached. The limited resources of the study mean that a statistically significant sample was not possible but this provides a snapshot of the informal sector in the area.

All the respondents were of African descent, and with the exception of Mangaung township all the respondents were found operating in the main CBD areas of the Municipality, namely in Botshabelo, Thaba Nchu and Bloemfontein.

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In Bloemfontein some questionnaires were administered to traders within Mangaung Township.

Some support agencies were interviewed including Mangaung local municipality, 2 Provincial Departments, two offices of the National Departments located in the Free State, and a commercial bank.

Some comparisons are drawn with a survey conducted by the University of South Carolina and UNISA which surveyed 800 businesses including shebeens, spaza shops, and hawkers<sup>10</sup>.

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<sup>10</sup> Quoted in Business Day 16 November 2004

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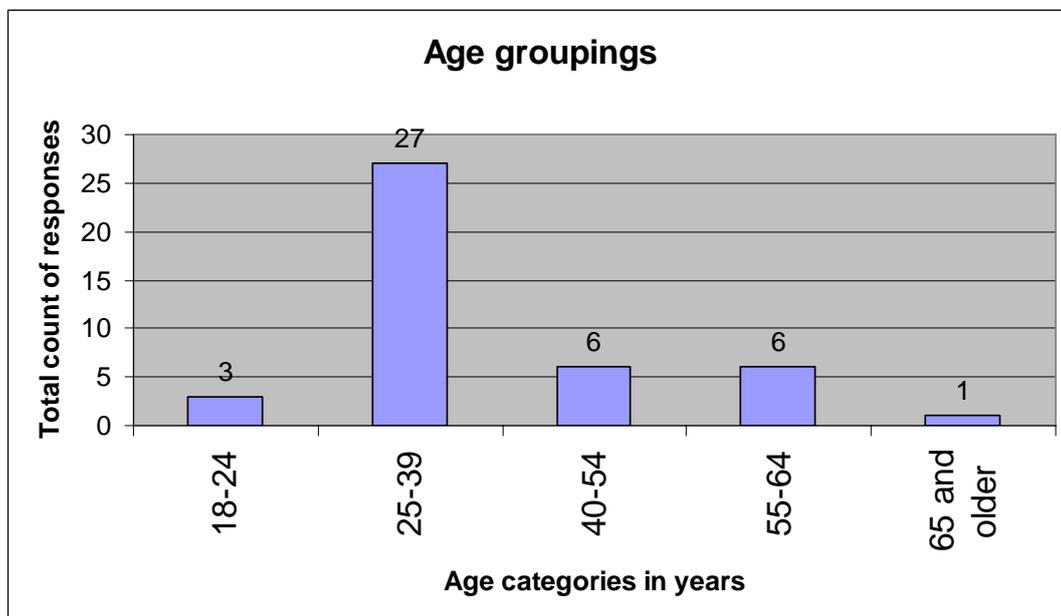
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## 2 Characteristics of the informal sector in Mangaung

### 2.1 The people themselves

13 of the 43 respondents were women (30%), lower than the average for the area (see Table 1.3.2), where 52% of women are involved in the informal economy. Their age varied from 18 to 65, with the majority between 25-29 (see Figure 2.1). 63% were married (see Table 2.1.1)

Figure 2.1.1 Age range of the informal sector

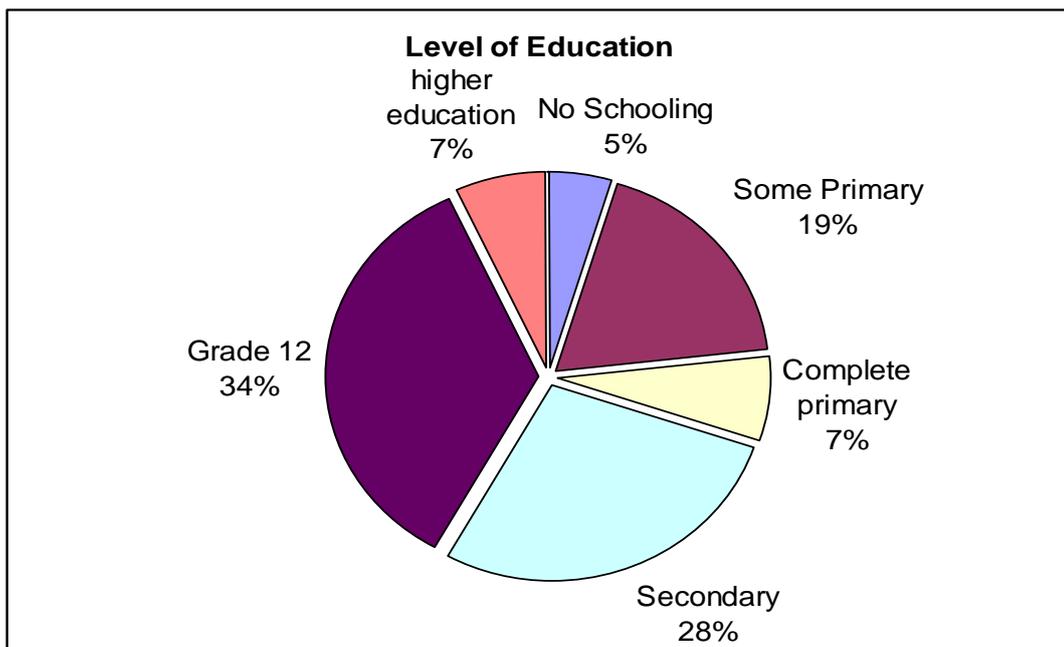


**Table 2.1 Marital status of sample of traders in Mangaung**

Single	Married	Divorced	Widowed
13	27	1	2
30.2%	62.8%	2.3%	4.7%

31% had no secondary education, with 24% having no schooling or not completing primary education. Among those who were already employed, only 1 respondent has a higher education qualifications (see Figure 2.1.2)

**Figure 2.1.2 Education levels of sample of informal traders**



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34 of the respondents were unemployed (79%), while 9 were employed in jobs ranging from high positions as government officials to bank clerks and newspaper distributors. Out of the 9, 7 respondents are in business to supplement their low salaries. Only 1 respondent is in business as a formal venture to expand financial horizons. All respondents had land and some are benefiting from housing provision through the Government's Reconstruction and Development Plan (RDP).

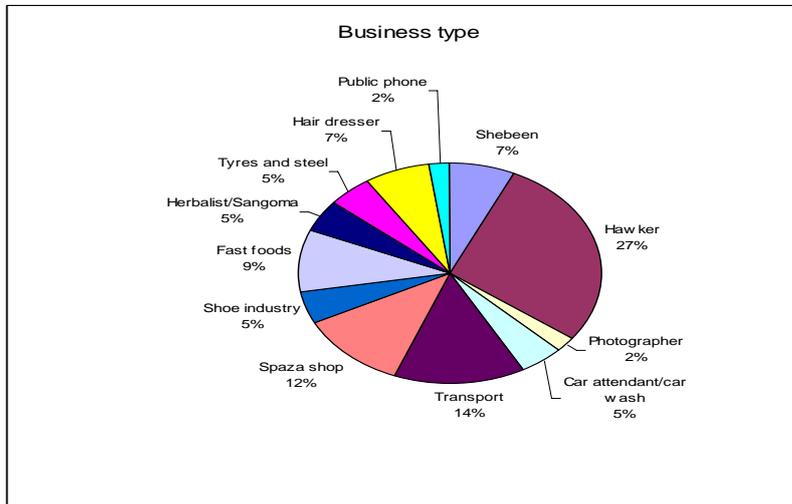
## **2.2 Business Characteristics**

There were a wide range of occupations including hawkers, spaza shops, fast foods, sangomas, hairdressers, illustrating the diversity of the sector. The biggest group of 27% were street hawkers (see Figure 2.2.1).

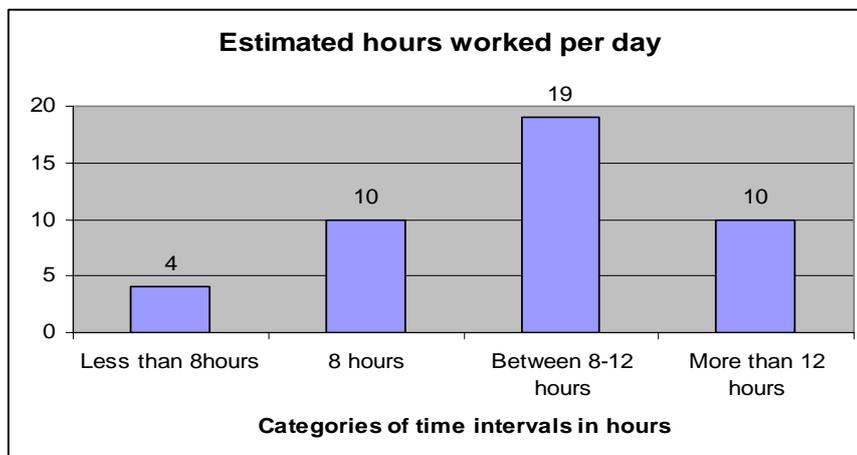
### Hours worked

On average these traders run their businesses for 7 days a week working hours ranging from a minimum of 5 hours per day to a maximum of 18 hours per day (see Figure 2.2.2). The reconciling of earnings from the business varies from business to business because of the inconsistency of the income and the fact that most people live from hand to mouth. Thus it is quite difficult for some of these traders to tell the profit made from business.

**Figure 2.2.1 Main types of business in the sample of informal traders**



**Figure 2.2.2 Estimated hours worked per day**



Source of income

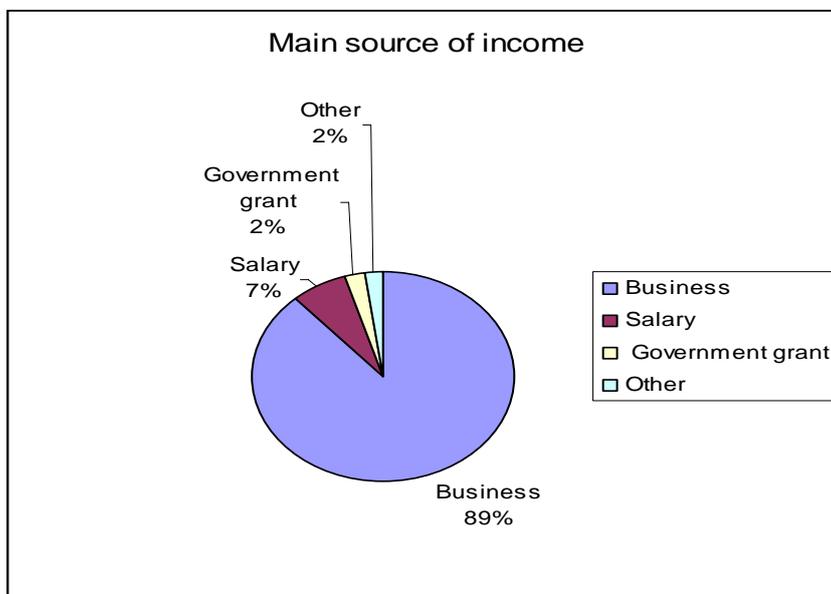
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89% of the respondents reported that their main source of income is from their businesses (see Figure 2.2.3), remembering that only 9 of them are in fulltime employment. Only 2% of the respondents receive some sort of government support to contribute to their livelihoods, primarily child support grants.

Of the 43 respondents, 33 reported that they can actually survive on their business and this corresponds directly with the reported main source of income for livelihoods as indicated in Figure 2.2.3.

**Figure 2.2.3 Main source of income of the informal traders**



### Levels of income

The reconciling of earnings from the business depends from business to business because of the inconsistency of the income and the fact that most people live from hand to mouth. Thus it is quiet difficult for some of these traders

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to tell the profit made from business. The business that seems to generate the highest income is taverns and shebeens, followed by taxi drivers. The traders that make by far the lowest earnings are the street hawkers. Among the shebeens included in the sample a small shebeen can on a good month make between R5000 and R9000 and the earnings on a poor month were reported to be between R900-R1000. For the larger and better established shebeens the earnings ranged from R20 000 to R90000, the latter a club that started as a shebeen. The earnings for the hawkers are mostly collected on a daily basis, on good day the earnings range between R100-R170 and on a poor day the earnings range between R25-R50. 33 respondents (77%) reported that they can actually survive on the business. The University of South Carolina study indicated an average monthly turnover was around R5300.

As with other businesses in the informal sector the rate of income is cyclical, peaking over weekends and month ends. There are periods where the traders could not trade especially those who operate from make-shift shelters, the main cited reasons for breaks from operation is bad weather. In Thaba Nchu the respondents reported that there have been threats that the Municipal officials might come and forcefully remove them from their areas of operation. However the respondents indicated that, a week prior to the questionnaire being administered the Municipal officials from the Bloemfontein office visited the trading areas and requested inputs from the traders on how best to deal with the situation.

The Municipality suggested that traders who operate in busy areas such as in Hoffman's Square in Bloemfontein CBD generate more earnings than traders in other areas.

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### 2.3 Starting their business

A large proportion (18, or 42%) of the sample was in formal employment prior to starting their informal business. It would have been interesting to record the reasons for them leaving former employment. Another significant proportion of the sample was unemployed prior to being involved in the business. This is similar to the figures from a much wider sample used by the University of South Carolina indicating about 34.5% were unemployed before they started their business.

**Figure 2.3.1 Activity prior to starting the informal sector business**

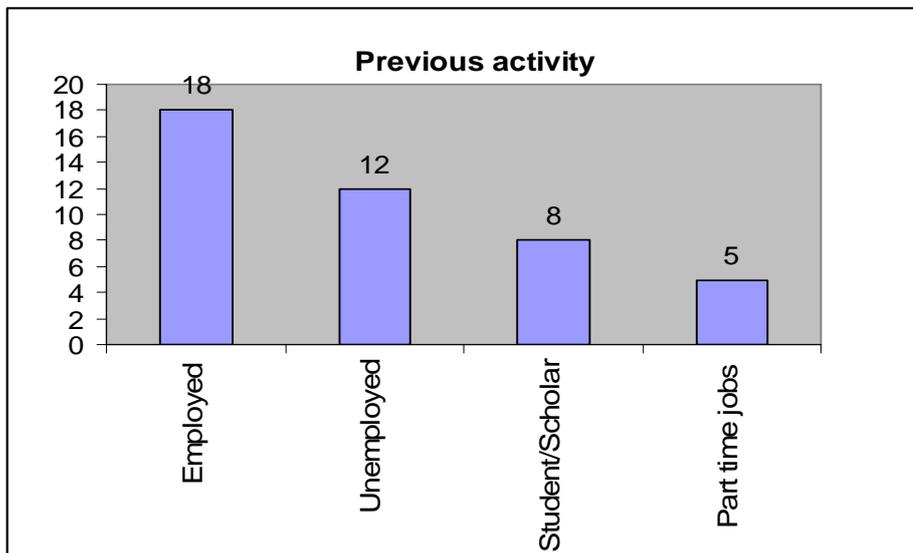
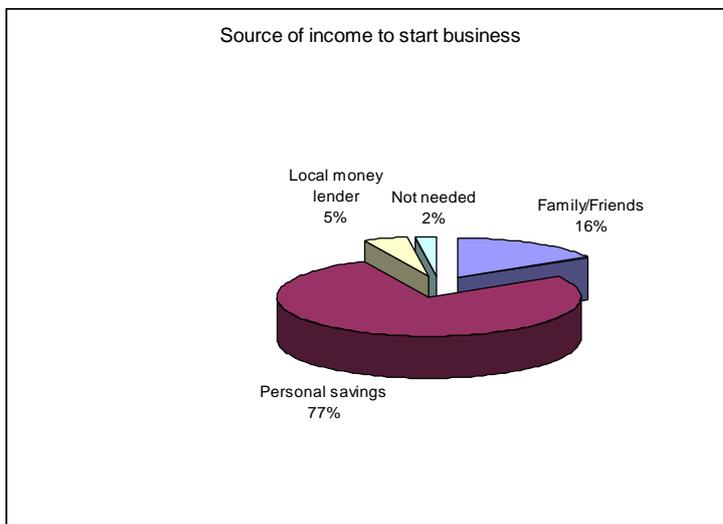


Figure 2.3.2 below shows that 77% percent of the respondents reported using personal savings to start their business with 16% raising the finance from family or friends. This can be interpreted as a conscious intent to venture into business. This is similar to the figures from the University of South Carolina study which indicated

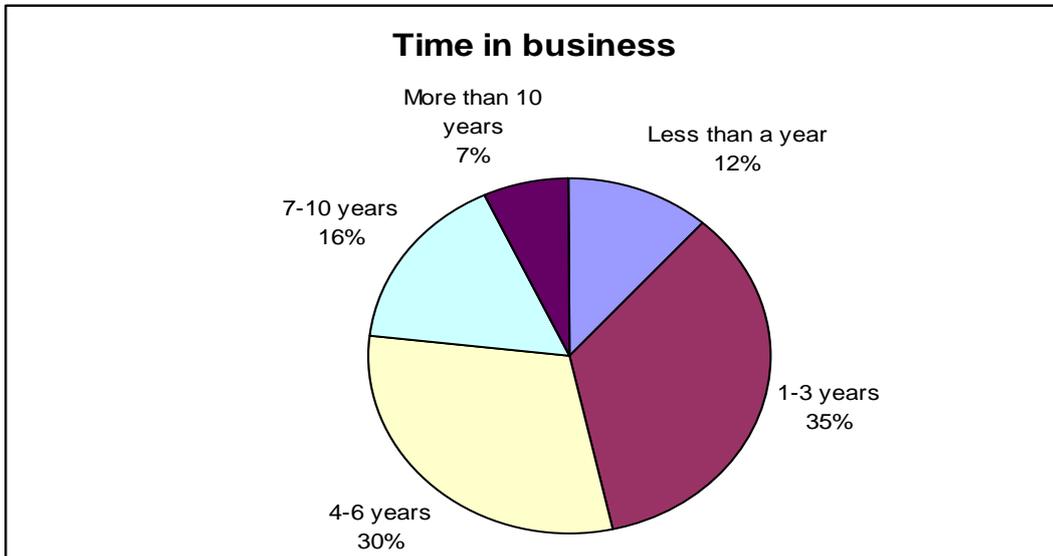
that about 70% had used savings to start their business, 10% had used retrenchment packages, and 2% financed by banks.

Figure 2.3.3 shows that 12% had been in business for less than a year, with 35% between 1 and 3 years. Nearly a quarter had been in business over 7 years, a significant period of time.

**Figure 2.3.2 Source of income to start the business**

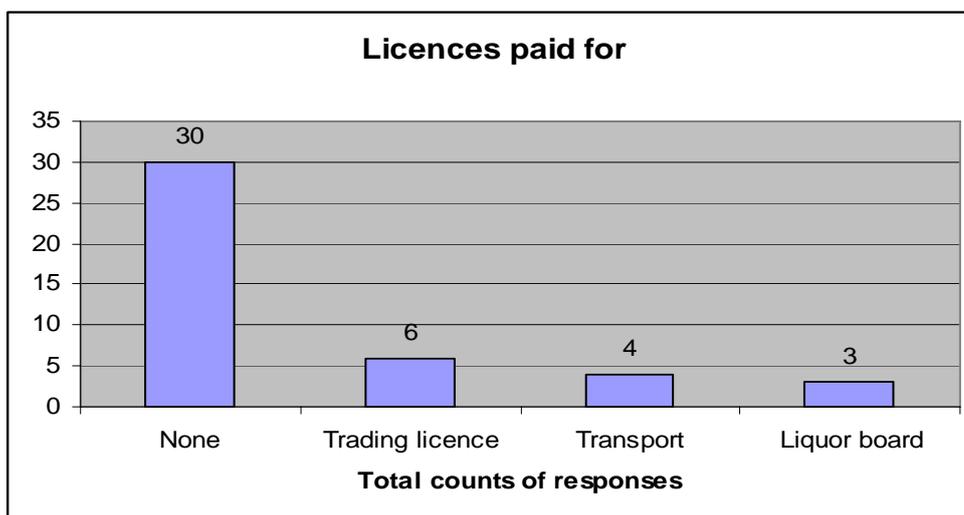


**Figure 2.3.3 Time in business**



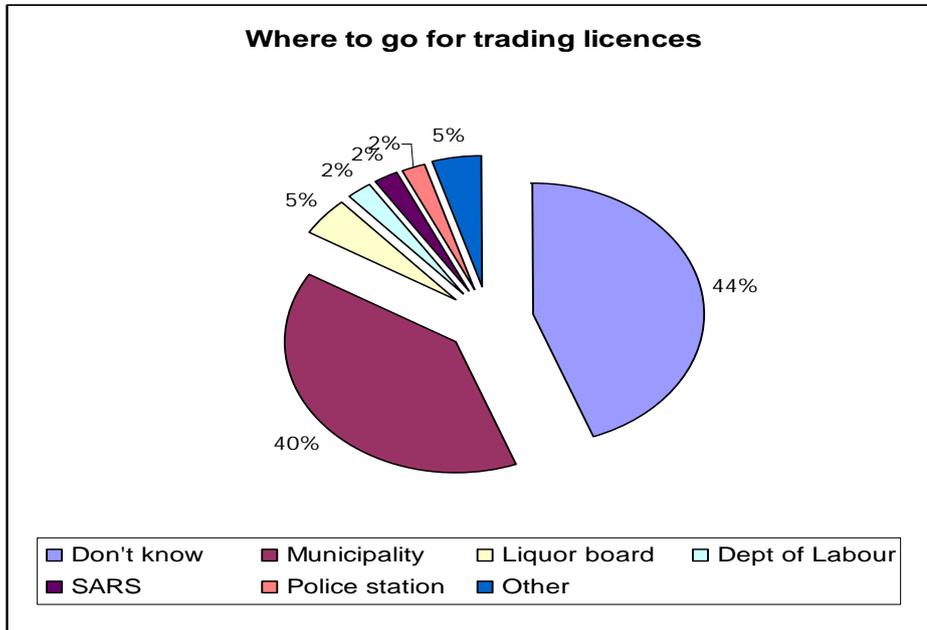
Almost half of the businesses are not registered (22) and 30 (70%) have no licence for their operation (see Figure 2.2.7). The respondents who reported paying for licences are those with shebeens and taxi drivers. The Municipality is aware of instances where some micro lending institutions have lent a trader R900 when the trader produces the Municipal identity registration card, a spin-off of the beginnings of formalisation of the business.

**Figure 2.3.4 The types of trading licences held**



40% of the respondents don't know where to go if they want to register their business (see figure 2.3.5). However 40% of the respondents reported that the Municipality is the place they would go for registering their business.

**Figure 2.3.5 Perceptions of where to obtain trading licences**



## 2.4 Suppliers

For those traders that trade in the sale of consumables, the main suppliers are local shops within the Municipal area, mostly from retail shops in Bloemfontein. For those who sell soft drinks, Coca Cola Distributors deliver directly to the businesses. The most cited mode of getting supply is “Walk and Carry” or “Using public transport”. However people cannot purchase from certain large stores on credit, eg Shoprite or Trade Centre.

## 2.5 Challenges mentioned by the traders

All the traders have the basic tools to run their businesses. In order to enhance their businesses they cited the need for proper shelter and electricity and water

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supply, including amenities such as toilets. Hawkers complained of no shelter, as they rely on makeshift shelter such as tents. Most of them displayed their merchandise on boxes or empty bottle crates.

The other frequently cited challenge is the fact that the earnings from business are too little and inconsistent to rely on. The other challenge is the perception that too many businesses sell the same product within the same area of operation. Furthermore the traders rely heavily on passing trade for the generation of sales of their products.

All the respondents reported unanimously that HIV/AIDS is a problem in society because, in recent year's people are dying in great numbers. None of the respondents have felt a direct impact of HIV/AIDS on their businesses. They cited poverty and unemployment as the contributing factors to their business being affected in terms of sales and customer decline. "If people are poor and unemployed they cannot afford to buy, sometimes we are compelled to give people credit" The respondents indicated that government should take measures to support their businesses in terms of "grants" because they are the ones at the fore front of poverty.

The Municipality reported that most informal traders especially the street vendors expressed a need for storage facilities for when they lock up for the night. Many traders do not have their own transport to carry their goods to and from their areas of operation. Linked to that issue is the problem of lack of shelter especially during bad weather. The municipality has erected stalls for some traders but due to limited space it has proved difficult because some areas are too small for stalls to

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be erected. As a result during bad weather days some traders close down their businesses.

The Municipality indicated an area of concern is that in one area there would be more than 3 or 4 people trading in the same goods thereby sharing the limited number of clients. This has impacted negatively on the turnover made from business and thereby preventing traders from affording to pay the stipulated municipal rental fee of R30. Other traders fail to meet their contractual obligations thereby forcing them to close down their business. For instance the traders who operate public phones have to purchase a minimum of R700 worth of airtime to meet their contractual obligation. But many fail to meet this target. Due to the nature of business in general, many informal traders rely on the inconsistent income made from their businesses and others do not have enough resilience to face periods when business is slow.

## **2.6 Sustainability of Business**

When asked what else they can do if their business were to close down, with exception of the respondents who already have formal employment the rest reported that they would have to seek employment elsewhere but “ there is no employment out there”. Others indicated that they would venture into another business if the employment route fails. 2 people reported that they would do nothing because they would see no point in trying as they would have already failed.

An important area of concern for traders who are employees of informal businesses is that there are no labour regulations for people in the informal sector.

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Thus their only contingency plan is to save for “a rainy day” but then “How do you save when you earn so little?”

Only 5 respondents reported to have received formal training to run their business. This includes the 2 herbalists/sangomas in the sample. The rest had not received any formal training.

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### **3 The role of public and private support agencies**

#### **3.1 Support requested**

The respondents did express a desire to grow their businesses. However they do not know what or where to go for information and training to grow their business. When asked what support was sought to address business challenges, only 5 respondents (12%) reported that they had consulted the Municipality for support, while 1 respondent indicated that they had approached the South African Police Services for support in terms of security measures that can be taken. The remaining respondents had sought no support. They noted that the culture within black communities allows for community members to rely on one another.

This is worrying because people do not know where to go for information regarding support for formalisation of their businesses, business management training etc. Another example is the lack of information regarding Black Economic Empowerment (BEE), where 35 respondents (81%) reported that they had not heard of BEE and the 8 (19%) who have heard of BEE felt that it benefits a small proportion of black people who are already empowered.

#### **3.2 The role of Mangaung Local Municipality**

The Municipality is committed to facilitating the growth of the informal sector especially those traders who are generating income allowing them to employ at least two people, to be able to become sustainable SMMEs.

The Municipality has a unit responsible for the registration of informal traders, mainly street vendors. The main role the municipality plays is to facilitate the identification of a trading site as well as creating an environment whereby there is

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minimal clashes between the informal and formal businesses. The Municipality intends to offer training to the traders on best practice models on how to run their businesses and how to save. It is not really the mandate of the Municipality to grant funding to informal traders but the Municipality is committed to facilitate how the traders can access funding to expand their business and to ensure that their businesses are sustainable and at least contribute to basic conditions of healthy livelihoods.

The move to put a specific focus on street vendors came about as a result of the Council realising that a lot of major businesses are migrating toward the north, setting up business in more established and affluent malls. The Council proposed that there be controlling law enforcement measures taken, to ensure that there is continuity for the smaller businesses and that there are proper control mechanisms as per the informal trade by laws. The Municipality called mass meetings for all street traders, managed through the hawkers associations. One of the resolutions that came out of these meetings was that traders who present themselves to the Municipality would be issued with a trading permit and over time an identification card. This was during the years 2000 and 2001 and on a day the Municipality consulted an average of 50 traders coming in at the Municipal offices. However over the years the number of traders who come to the office has declined and the average number of clients seen is between 15-20 people. This is attributed to the fact that the Municipality has set aside Tuesday as a day specific for dealing with traders.

The Municipality now has a database of 622 street vendors within the Bloemfontein CBD and some who are operating in the Mangaung activity corridor along Moshoeshoe Road, rising from 412 in 2002.

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### Rural-Urban Divide

There is a rural-urban divide within Mangaung Local Municipality, and informal traders in Thaba Nchu and Botshabelo are not formally registered on the Municipal databases. Furthermore the bylaws pertaining to informal trade do not apply to these two towns. However the Municipality is in a process of formulating an informal economy policy and the bylaws are being revised to include those areas.

From contacts with traders in Botshabelo and Thaba Nchu the Municipality came to realise that the traders are not satisfied with this skewed nature of support being provided to the traders in the Bloemfontein/Mangaung area. In addition the traders from Botshabelo and Thaba Nchu have indicated that it is a challenge for them to access the Municipal offices in Bloemfontein. In this regard the LED directorate is in the process of setting up offices in Botshabelo and Thaba Nchu to ensure ease of access for the traders in line with the Government's commitment to bring services to the people. One area of concern for the municipality is that informal trade may contravene bylaws, for instance a trend for livestock traders to sell livestock within the townships over weekends in contravention with the livestock bylaw which stipulates that livestock can only be sold at an auction at a market.

### Training and awareness raising

In 2003 the Municipality organised training for informal sector businesses facilitated by the University of the Free State covering business and financial management skills. Traders on the Municipality's database were invited as well as other interested parties. Currently the municipality is in process of organising an awareness campaign which is hoped will take the form of a workshop whereby

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informal traders will be invited. The specific emphasis of the campaign is to make informal traders aware of opportunities to expand their businesses, including mechanisms for saving for life or funeral cover schemes, especially for those traders whose income is the sole income for their households.

### **3.3 Department of Agriculture (FSDoA)**

The Department has many projects in the Province supporting small businesses, notably supported through the Community Projects Fund Support Programme (CPFSP). In partnership with the Department of Land Affairs, the FSDoA is involved in agricultural activities such food security initiatives, commonages, or land tenure for agricultural purposes, including the Land Reform for Agricultural Development programme (LRAD). It is arguable whether these are in the formal or informal sectors, once they have been supported, as they will be registered with the FSDoA, although they are unlikely to be registered for taxes.

The FSDoA is also involved with the Expanded Public Works Programme (EPWP). This programme stipulates that people must be skilled, training opportunities should be made available, that temporary jobs are created and the projects initiated must be in line with poverty alleviation strategies.

This involvement of the Department requires an integrated approach with other government Departments involved in agricultural development. This integrated approach has proved to improve the sustainability of projects because the Department acknowledges that alone the Department cannot be able to deliver services effectively and efficiently to the people.

#### Extension support

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The Department has 5 district directors with an economist and a food security officer located at this office in each of the 5 Districts of the Free State, and then there are 22 local municipal area offices. In each municipal area the Department has set up a multi-disciplinary team ranging from animal health technician, extension officer, and an engineer. The specialist officers based at district level are to offer services to the local municipal areas.

The Department has brochures which they distribute to people and they have open farmer days where people can access information about the services that the Departments offer. However the role of the extension officers is to market the services offered by the Department.

#### Project appraisal and monitoring

In terms of monitoring the Department's staff undertake impact analysis of potential projects before they start, notably those supported through the CPFSP or LRAD. On an on-going basis regular spot check monitoring exercises are undertaken during the project cycle to see that the project is progressing in a way that it was initially intended for. Where support is needed, these official links with the relevant institutions for support.

#### Access to finance

The Department has unofficial partnerships with banking institutions who give loans to developing farmers. For an approved loan to a farmer, the Department will give grants in the form of fertilisers or agricultural implants. In case of developing farmers who need access to an abattoir, the Department would approach a private owner and negotiate for the Department to buy the property and the owner buys shares from the developing farmers.

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### Feedback from clients

In the Department's strategic plan, inputs from communities are included as fed in by the extension officers who are based at grassroots level. In terms of feedback from people with regards to the services provided by the department, it has been observed that people are happy with the services. However people have expressed dissatisfaction with processes of acquiring and getting the project in action. The reason for this is attributed to issues of "red tape" that make the process more slow. For instance the guidelines that are specified for funding of specific projects can have negative impacts when viewed from the side of the beneficiaries. For example the guideline specifying that funding is for commonage development. In such a case the Department has to negotiate with the Municipality to sign a lease agreement for the commonage site as well as the infrastructure support that might be need. This process can take over six months, during this time the beneficiaries still find themselves in the same poverty-stricken situation. The Department is working on reducing the time taken for the processing of projects.

Another issue pertaining to the feedback received from people is that people who have benefited from agricultural projects struggle to market their produce. This is a problem that has to be tackled in a concerted manner with other stakeholders, whereby gaps in the markets can be filled with products from projects. For instance a person who is dealing with dairy farming, this person can be linked with the Department of Education and Health and these people can supply local schools, hospitals and clinics with dairy products.

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### **3.4 Department of Trade and Industry (dti)**

This is a national Department that has offices in all 9 Provinces. In the Free State the offices of dti are situated in the Department of Economic Affairs and Tourism. According to the official interviewed, the Department does not view LED as being an integral part of their services. However there are links in terms of collaboration with other Departments on LED initiatives. The core role of this Department is to assist emerging small businesses to market their products, ensuring that the products are in line with trade regulations. The Department is also actively involved in projects that promote trade and investment as well as expanding businesses. At grassroots level the Department helps in the facilitation of linking people in the SMME sector to related service providers. This Department is the custodian of Black Economic Empowerment which is enshrined in the BEE Act 53 of 2003 to “increase broad-based and effective participation of black people in the economy and promote a higher growth rate, increased employment and more equitable income distribution” (BEE Act 53, 2003). However in practice BEE does not cover informal traders.

### **3.5 Department of Labour**

This is also a national Department, whose core mandate is to publish and regulate labour practices and activities across the South African labour force. They see LED as a poverty alleviation strategy. With regards to LED initiatives the Department of Labour is responsible for Skills Development, guided by the Skills Development Act 55 of 1995 and amended in 2003. Amongst others, the Skills Development Act aims to develop the skills of the South African workforce and to promote self-employment.

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The Department provides training opportunities to people in particular LED projects. In most cases the beneficiaries of the training opportunities have been through referrals from other Government institutions such as the Department of Agriculture and Municipalities. However there are also individuals who have approached the Department for training opportunities.

They commented that LED projects in the Free State often fail because of inadequate coordination of the project cycle, eg funding without ensuring that the beneficiaries are sufficiently skilled in terms of marketing of products and business management.

With regards to challenges facing people in the informal sector, the Department once embarked on a mission to give training to the informal traders. That exercise proved unsuccessful because the training required for people to leave their businesses for a period of a week while on training. This was difficult for people whose livelihoods depended solely on the business.

### **3.6 First National Bank (FNB)**

It proved difficult to get interviews with private sector institutions supporting the informal sector. FNB was one commercial bank that was interviewed.

FNB is making an effort to promote LED in the area. There is a good working relationship in the Free State between FNB and the Department of Local Government and Housing in terms of bringing viable LED initiatives to the people. FNB was a partner at the LED Summit that was held in Bloemfontein 11 March 2004.

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FNB is committed to be involved with communities within which the Bank operates. As a result there will be a FNB branch at every town in the Free State before the end of 2005 (only 3 do not have at present). The main themes for FNB are to have a vibrant and accessible Public Sector Service Desk as well as mobile banks. This is to ensure accessibility of the Bank as well as keeping in line with the Government's commitment of bringing services to the people. It is perceived that FNB is achieving its main goals of being accessible to the people because on a daily basis there is a high turnover of clients visiting FNB banks and a majority of these clients are from the black population.

It is the responsibility of managers in these branches to ensure that there are days for information dissemination to communities to market FNB products but also to inform communities of the services that they can benefit from.

FNB is involved in learning and development initiatives whereby the Bank grants funding for business skills development as being approached by other stakeholders involved in LED initiatives.

They are aware of the banking needs for informal sector activities. For instance, they suggest that a group of informal traders can save in a "Stokvel" group saving account. This is based on the fact that earnings from informal business are not always high enough for the owner to qualify for a business account to be opened. "The FNB Stokvel Account is designed for groups of people who want to save together. The funds in the account are distributed to each member in turn, or may be kept in the group for a special event or goal. There is a minimum opening balance of R500, a constitution is required stating how the group works, and two signatories.

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They also have an account for associations, clubs and groups of people wanting to save for a special event, burial societies and other informal bodies/groups, or schools that wish to save for special purposes.. The account is book-based, providing a written record of all deposits/withdrawals. Deposits can be made electronically or at the teller at any FNB branch or agency.

As well as commercial banking FNB runs a variety of funding schemes under the auspices of the FirstRand Foundation. FNB has a partnership with Government whereby R12 million has been given to the Business Trust Fund. This fund is focusing specifically on tourism for job creation, capacity building in schools and technical colleges, improving the justice system and controlling malaria. In addition to this Fund which is administered at national level FNB at local levels has a variety of Social Responsibility projects that it is involved with.

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Case Study prepared for the World Bank-Netherlands Partnership Program *Evaluating and Disseminating Experiences in Local Economic Development (LED) Investigation of Pro-Poor LED in South Africa*, January 2005.

## 4 Implications for growing the informal sector in Mangaung

### 4.1 The nature of the sector

Around 50% of the working population in Mangaung is engaged in the informal sector (see Table 1.3.2). In the study 42% of businesses had been employed prior to starting their business, similar to the South Carolina study of 34.5%, and 9 of the traders were still employed (21%). This contrasts with common wisdom that the informal business sector is predominantly drawn from the unemployed. Clearly many have seen the informal sector as offering a better living than their previous employment and in some cases as a means to supplement existing meagre earnings, and in some cases not so meagre. It would be interesting to know the actual profit rather than turnover and how this compares with employment. While many of the businesses were small, some had turnovers of up to R90 000 per week, notably a club. This illustrates that not all informal sector business are small and are a route to an expanding SMME.

As this was not a random sample, but drawn from streets where black traders were operating, all of the sample were black, but a high proportion of the black population is unemployed (up to 40% depending on the measure used) and so the large majority of the 50% employed in the informal sector are black.

One of the key areas where the informal sectors begins to interact with the formal sector is through licensing. Most informal sector businesses are not licensed, and in our sample 70% were unlicensed. Those that are licensed are interfacing with the formal sector, and were typically taxi operators and liquor traders. An example was quoted of where by having a licence, a trader was able to access a microloan, giving examples of how formalisation can be beneficial.

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Another common interface is when informal traders need formal structures to sell their wares as with a market structure or buy from the formal sector. Many informal sector businesses trade with products from the formal sector which are sold as 'seconds' or as a way of expanding the market for the formal sector particularly for agricultural products. These goods and services can be anything from minibuses, clothing, knickknacks, fruit and vegetables. Recent studies indicate that hawkers buy 43% of all the potatoes traded on markets and 23% of all market produce. Vendors probably account for 30% of sale at fresh produce markets and in recognition training is now provided by most markets to equip traders for becoming professional business people<sup>11</sup>. This indicates the importance of the informal sector as an outlet for formal sector products.

Many of the businesses do wish to expand their business but are unclear as to where they can access support for doing so. Section 4.6 discusses this in more detail.

## **4.2 Expanding the market**

What comes through strongly from the informants is that the market for the informal sector is the marginalised, the unemployed, poor, and the unwell, particularly HIV/AIDS sufferers, and that goods tend to be sold on credit and cheaply. Stats SA data for 2001 shows that 75% of people in Mangaung have incomes below R800, so that a high proportion of families are experiencing poverty<sup>12</sup>. This means that communities have very limited income to be able to support informal traders.

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<sup>11</sup> Business Day 16 November 2004

<sup>12</sup> IDP, 2005.

The data on purchasing of agricultural produce by the informal sector quoted previously suggests that the total size of the sector is large, and supplies a large proportion of poorer households. However while the target market is so disadvantaged there is likely to be little potential for growth. For there to be a proper market for the informal sector and for the sector to rise beyond a survivalist business, their target market needs to have higher purchasing power. This also points to the importance of creation of employment opportunities, as well as a variety of livelihoods support mechanisms such as social grants, temporary employment schemes, and promotion of local purchasing to ensure that the funds circulating locally are maximised, so enhancing the market for local services. The challenge is to ensure that this is sustainable.

#### **4.3 Improving facilities**

Several traders mentioned the need for proper shelter and electricity and water supply, including amenities such as toilets and storage facilities. These are facilities that are easy for the municipality to supply, eg as part of proper market facilities.

#### **4.4 Improving profit margins**

Most informants said that they walk and carry their goods by hand. In addition large stores often do not extend credit. This limits their capacity to buy in bulk and therefore to improve their profit margin. It would be interesting to explore how bulk purchasing schemes could assist such traders, eg in a purchasing cooperative, or by grouping the traders at markets and encouraging the suppliers to supply directly to the market outlets.

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#### **4.5 Improving access to finance**

The route to business growth is usually through some form of reinvestment of capital to grow the business. 77% percent of the respondents reported using personal savings to start their business with 16% raising the finance from family or friends, and 42% were in employment prior to starting their business. The University of South Carolina study of 800 traders found that 70% had used savings to start their business, 10% had used retrenchment packages, and only 2% were financed by banks. In the first economy savings tend to come from an accumulated surplus while, as we found in the study, in the informal economy savings are generated through savings and credit schemes, stokvels, burial societies and many other activities. While having limited access to credit, many traders were extending credit to their customers.

It is interesting that even the Mzansi account draws money from the poor through the charges they have to pay when they withdraw their funds, even though the charges are less than on previous savings accounts. In banking terms savers are not bank clients. Banks make money out of savers by on-lending to cheque account holders, charging for the moneys they keep safe for their clients. Savings account holders use their own money to invest in their businesses, as was the case here, and so the informal sector struggles to leverage growth through investment, as they only have access to their savings. The result is that business in the informal sector remains a subsistence activity, with growth limited by shortage of finance.

There are grant schemes which can be accessed for group schemes, eg from the Department of Agriculture or Eskom. These suffer the disadvantage of forcing a

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group situation, but where a group is already formed do provide an opportunity for infrastructure to be provided. They also suffer from a danger of dependency from a grant arrangement, unlike a credit scheme.

The discussion above illustrates the importance of credit schemes which allow informal traders to increase their access to credit from small beginnings, using a good credit history rather than collateral as security for the loans. Such schemes are being used by the Land Bank for example, starting with R500 loans. Other possibilities are stokvel-type voluntary saving and loan schemes as are already being supported by the Anglican Church in the Mangaung area. A degree of formalisation helps, such as having a license or identity card. FNB also shows how these can be accommodated in the formal sector, with suitable account structures.

#### **4.6 Changes in mindset - the need for business advice, awareness raising and training**

Under Apartheid, those not able to be employed on the mines or in other labour intensive occupations had to subsist using the informal sector, often in rural areas. For many of the informal traders the need to be formally employed is strong, reflecting the psychological effect of being unemployed in the marginalised economy and the perception that they cannot generate an income in the areas they live. They have a limited view as to what is possible as many activities in the past were prohibited or reserved for whites.

41% of the traders had completed secondary education, and 31% had no or only primary schooling. This is higher than the average for the area, perhaps reflecting that these people are more dynamic than other unemployed people, but still low. Only 5 of the informants had had training in their business (2 of them sangomas).

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The traders were keen to have training. Mangaung Municipality had made an effort to give business training, but with little success as the training took the traders away from their business for a week, which many could not afford. Those that attended appreciated the courses, and this suggests that training is important but that a more flexible schedule is needed, eg weekly, so that they do not have major losses of turnover. Classes could be provided over a six months period for say one hour a week.

The Municipality is proposing an awareness campaign to make informal traders aware of opportunities to expand their businesses, including mechanisms for saving for life or funeral cover schemes, especially for those traders whose income is the sole income for their households. This sounds very appropriate.

Some mechanism is needed for business advice to these traders. Some form of system that is widely available and relatively simple should be used. A form of community-based micro-business advisors would be appropriate, supported by small business advisors, as already proposed in the IDP, as well as by agricultural extension officers if agricultural. These could be provided by a local NGO, such as MUCPP or Phaphamang and the support should be contracted by the Municipality.

#### **4.7 Enabling environment**

Mangaung has byelaws affecting informal trading in the Bloemfontein area, but not Botshabelo and Thaba Nchu. They are also concerned that informal trade may contravene byelaws, for instance a trend for livestock traders to sell livestock within the townships over weekends in contravention with the livestock bylaw which stipulates that livestock can only be sold at an auction at a market. Many of the byelaws are explicitly designed for the formal economy, and there should be a

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review of byelaws affecting the informal sector to see whether there should be a size threshold at which they apply, and they should apply throughout the municipal area.

#### **4.8 The need for improved consultation with the informal sector**

At the moment economic policy tends to be addressed to the formal economy, leaving the informal economy to react to what is happening in the formal economy rather than being a sector that drives or directs its own problems. Mangaung Municipality has had meetings with the sector, generating goodwill on all fronts. This is an important lesson in solving the problems facing the informal sector as well as assisting participants to be creative in their solutions. One suggestion is to have awareness days, where an effort is made to find out about the needs of the informal sector and address them directly, either at policy level or through interventions on the spot.

#### **4.9 Improving coordination between support agencies**

There is a problem in inadequate coordination amongst a variety of agencies interacting with and supposedly supporting the development of the informal sector. For example the Department of Labour suggested that there is still a lack of coordination between Government Departments when it comes to implementation of poverty alleviation initiatives, with some departments more concerned with the disbursement of allocated budgets than actual alleviation of poverty. The Department of Labour has more of a problem because it is a national Department operating at grassroots level. The officials interviewed indicated strongly that for the frontiers of poverty to be pushed, Provincial Government Departments should shift away from working in a fragmented “Government Departments” mode toward working solely as Government in implementation of poverty alleviating initiatives.

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The FSDoA reported that previously the Department would support projects without involving municipalities and vice versa. The Department has taken initiatives to work with municipalities in the drafting of IDPs so that the agricultural projects are built in the budget of the municipality, as well as the FSDoA. The funding from the National Department of Agriculture also stipulates that funding for projects should be in line with the IDPs of the relevant Municipalities.

The IDP and LED Programmes do appear to be assisting with coordination, bringing together different government Departments and other private stakeholders to discuss issues of development pertaining to specific municipalities. Municipalities seem to be playing a coordinating role in terms of projects that are ongoing within their areas of jurisdiction and link projects with the relevant Departments. Departments which are attempting to integrate their approach of service delivery relevant to LED projects are the Departments of Agriculture, Health, Education, and Social Development. Promotion of the informal sector is one of Mangaung's strategies in its LED Programme. It is important that there is coordination across agencies in this sector. The coordination mechanisms around LED need to be strengthened.

#### **4.10 Reducing inequalities**

The study found that the informal traders from Thaba Nchu and Botshabelo, while being part of Mangaung Municipality, find themselves not quite receiving the same services as the informal traders in Bloemfontein, limiting business growth that can grow the economy and generate employment. Thus the high levels of unemployment in Botshabelo and Thaba Nchu are perpetuated. It is essential that appropriate private and public sector support services for the informal sector are

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located in Botshabelo and Thaba Nchu to permit such businesses to develop and grow.

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## Annex 1 Questionnaire on Private institutional Support

What is your involvement in social responsibility	
What are you doing to ensure that there is an enabling environment for people in the informal sector	
What services do you have for people in the informal sector	
Where are you services covering	
How are you branches spread geographically	
How do you ensure that your services reach people in the informal sector	
How do you measure effectiveness of social responsibility outside of expenditure	
What incentives are provided for people in the informal sector?	
What key regulations guide your support for people in the informal sector?	
What areas of mutual reinforcement are there between your institutions and the informal sector?	
Are there any linkages between the formal and the informal sector? And how were these developed?	
How do you think BEE can benefit the informal sector?	

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URP, ISRDP...)	
<b>Name</b>	<b>Focus</b>
3.8 What other key stakeholders are providing economic services in the area, eg Chambers of Commerce, NGOs?	
<b>Name</b>	<b>Focus</b>

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<b>4 Operationalising LED</b>		
<b>Does your unit support any of the following?</b>	<b>Y/N</b>	<b>Please specify</b>
<b>Promoting an enabling environment by:</b>		
Development of economic strategy		
Improving the local business climate eg improving processes and procedures for business registration, taxation, etc., within the Municipality		
Privatisation to improve services		
Grants/rebates to attract inward investment		
Grants/rebates to attract local investment/expansion/retention		
<b>Promoting infrastructure:</b>		
Investment in Hard Strategic Infrastructure. eg: transport infrastructure, utilities.		
Investment in Industrial and Commercial Sites and Premises		
<b>Supporting MMEs:</b>		
Support for procurement by SMMEs from large organisations		
SMME support centres		
Subsidising general business advice for SMMEs		
Support for creation of new businesses		
Support for growth of existing businesses		
<b>Targeting groups/areas:</b>		
Development of specific sectors (and business clusters)		
Schemes to support the informal sector		
Schemes to support urban agriculture		
Schemes to support particular groups, eg disadvantaged groups/workers		
Women		
youth		
Special employment schemes eg EPWP		
Special development zones (IDZs, inner city, BIDs...)		
<b>Providing Support in:</b>		
Research and information re economic development		
Support for export/marketing/ quality		
Marketing of the area		
Non-financial support in promoting inward investment		
<b>Other support (specify):</b>		

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<b>4 Operationalising LED</b>		
<b>Does your unit support any of the following?</b>	<b>Y/N</b>	<b>Please specify</b>

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<b>5 Funding (please attach detailed budget showing programmes and projects)</b>							
What funds are allocated (R, 000) Please put source underneath.	Operational			Capital			Comments/details
	2003-4	2004-5	2005-6	2003-4	2004-5	2005-6	
To LED units							
To partnership structures							
To specific economic structures (eg bus centres, incubators.....)							
To other specifically LED-related services/activities?							

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<b>6 Impacts (please send copies of any impact evaluations that have been conducted)</b>	
6.1 What have been the overall impact on growth in the area	Growth in GDP: From when to when: What evidence do you have:
6.2 Do you have targets for reduction of poverty. If so what are they? These could be regeneration targets, geographic targets (not just industrial zones, but other areas needing targeting too, marginal housing areas etc) (probably from IDP)	
6.3 What have been the overall impact on levels of poverty in the area	% of households with incomes less than R1500/m <sup>13</sup> : From when to when: What evidence do you have:  Nutrition <sup>14</sup> :  Skills levels:
6.4 What have been the overall impact on levels of employment in the area	Impact on unemployment: From when to when: What evidence do you have:
6.5 What have been the overall impact on levels of inequality in the area	Can we pick up changes in Gini coefficients
6.6 Please insert details of specific programmes or projects which have been successful in terms of addressing poverty	
6.7 What is your personal evaluation of LED in your municipality? Is it living up to its targets? Has it experienced difficulties and	

<sup>13</sup> Check with SSA on poverty datum line to use

<sup>14</sup> Check with SSA on poverty datum line to use

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what can be done in the future to improve its impact?	
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### Annex 3 Questionnaire for Traders

<b>Interview number</b>	
<b>Location (be specific)</b>	
<b>Interviewer name</b>	
<b>Date</b>	

#### INTERVIEWEE INFORMATION DEMOGRAPHICS/PERSONAL BACKGROUND

**Gender (please tick):**

Male	<input type="checkbox"/>	Female	<input type="checkbox"/>
------	--------------------------	--------	--------------------------

**Age (Please tick)**

Under eighteen	<input type="checkbox"/>
25 - 39	<input type="checkbox"/>
55 - 64	<input type="checkbox"/>
18 - 24	<input type="checkbox"/>
40 - 54	<input type="checkbox"/>
65 and older	<input type="checkbox"/>

**Marital status (please tick):**

Single	<input type="checkbox"/>	Married	<input type="checkbox"/>	Divorced	<input type="checkbox"/>	Widowed	<input type="checkbox"/>
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**Level of education and skills**

No Schooling	<input type="checkbox"/>
Some Primary	<input type="checkbox"/>
Completed Primary	<input type="checkbox"/>
Secondary	<input type="checkbox"/>
Grade 12	<input type="checkbox"/>
Higher education	Specify:
Other short courses attended	Specify:

**Type of business (Please tick)**

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R1,000 – R1,499	R231 – R345	R34 – R49.99			
R1,500 – R1,999	R346 – R461	R50 – R66.99			
R2,000 – R2,999	R462- R693	R67 – R99.99			
R3,000 – R4,999	R694 – R1,153	R100 – R166.99			
R5,000 – R9,999	R1,154 – R2,307	R167 – R333.99			
R10,000 – R19,999	R2308 – R4,615	R334 – R666.99			
R20,000 – R49,999	R4,616 – R11,538	R667 – R1,666.99			
R50,000+	R11,539+	R1,667+			

### Seasonality

Month	V good	Good	Poor	Earnings
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
Total				

1.6 Source of income to start your business (tick next to word)	Bank Local money lender Personal savings Family or friends NGO project Other (specify)
1.7 Do you have a cheque book?	Yes No
1.8 Are you able to survive on what you make from this business alone	Yes No
1.9 If no, how do you make ends meet	
1.10 How long have you been in the business (months)	
1.11 What were you doing before you started the business	
1.12 Who are your main customers (eg passing trade, people working in the area, people living in the area, people coming for my service.....)	

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1.13 How many hours do you put in per day	How many hours/day? Which days in the week?
1.14 What tools or equipment do you need to carry out your business	
1.15 Do you have these tools or equipment to carry out your business	
1.16 Do you have employees in your business (nos)	Formal Informal Are these family?
1.17 Did you receive formal training to run the business	Yes <input type="checkbox"/> No <input type="checkbox"/>
1.18 Who is/are your supplier (s)	
1.19 How do you get supply	1. Walk & carry 2. Wheel barrow 3. Rent a bakkie 4. Own transport 5. Deliver 6. Other (specify)
1.20 How often do you get supply	1. Daily 2. Every other day 3. Once a week 4. Twice a month 5. Once a month
1.21 If your business were to close down what else can you do for your livelihood	
1.22 Have there been periods when you are not trading	Yes No
1.23 If yes What were the reasons	
1.24 How did you survive	
1.25 Is your business growing	Yes No
1.26 Are the number of jobs you complete per month growing or Are your sales per month growing	Yes No
1.27 If yes by how much	
1.28 If no what do you think are the reasons	
1.29 What would you say are your main challenges to your business surviving or expanding	
1.30 What are the challenges facing other people in your industry	
1.31 What support have you sought to address some of the challenges	
1.32 Do you think you could benefit from black economic empowerment	Yes No If so how: If not, why not:
1.32 Do you think HIV/AIDS is a problem in your community? If yes, please explain	Yes No Comments:
1.33 Have you been affected by	Yes No

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HIV/AIDS, please explain how	
1.34 Do you know other people whose businesses have been affected by HIV/AIDS	Yes      No If so how?
1.35 What help would you like to get if you were an affected person	
1.36 Do you have livestock and make money out of it	
1.37 Do you till the land and make money out of it	
1.38 What other assets do you have:	
• Natural eg land	
• Physical eg house, means of transport (bring in tools/eqpt and livestock from above)	
• Social – what support do you get from family or groups in the community	
• Human – insert skills from above	
• Financial – insert sources of income from above	

## Annex 4      References

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## Annex 5 Comparative issues for the national study

10.4 Cost effectiveness of directly-funded LED activities		There is no evidence around cost-effectiveness								
<table border="1"> <thead> <tr> <th>Question from research framework</th> <th>Comments from this case study</th> </tr> </thead> <tbody> <tr> <td>10.1 Overall pro-poor orientation and impact of the municipality</td> <td>MLM has a strong commitment to pro-poor and inclusive development. There has been a major impact in terms of infrastructure in disadvantaged areas but very limited on incomes and employment. This is partly due to inadequate investment (eg the LED Unit is understaffed) and slow progress with implementation.</td> </tr> <tr> <td>10.2 Degree to which initiatives broader than in-house LG activities are having an impact in the case study</td> <td>There is not much evidence of the impact of other organisations on the local economy. In general initiatives are piecemeal and poorly coordinated, although there is some evidence of improved coordination resulting from the IDP and LED strategies.</td> </tr> <tr> <td>10.3 The relation between pro-poor LED initiatives and outcomes in the case study</td> <td>There has been more impact on infrastructure development than on the targeting of the poor. Informal traders in the Bloemfontein area have benefited more than the ones in the periphery. Most of those who are poor are also unemployed the Mangaung economic development strategy is to grow the formal sector through attracting investors, this strategy will create 3900 jobs in an area that needs jobs ...% of the economy.</td> </tr> </tbody> </table>		Question from research framework	Comments from this case study	10.1 Overall pro-poor orientation and impact of the municipality	MLM has a strong commitment to pro-poor and inclusive development. There has been a major impact in terms of infrastructure in disadvantaged areas but very limited on incomes and employment. This is partly due to inadequate investment (eg the LED Unit is understaffed) and slow progress with implementation.	10.2 Degree to which initiatives broader than in-house LG activities are having an impact in the case study	There is not much evidence of the impact of other organisations on the local economy. In general initiatives are piecemeal and poorly coordinated, although there is some evidence of improved coordination resulting from the IDP and LED strategies.	10.3 The relation between pro-poor LED initiatives and outcomes in the case study	There has been more impact on infrastructure development than on the targeting of the poor. Informal traders in the Bloemfontein area have benefited more than the ones in the periphery. Most of those who are poor are also unemployed the Mangaung economic development strategy is to grow the formal sector through attracting investors, this strategy will create 3900 jobs in an area that needs jobs ...% of the economy.	The economic thrust underlies many activities of the Municipality, from the specific activities of Economic Development and Planning Directorate to the promotion of temporary employment in Infrastructural Services Directorate (Services for All Programme), although the latter creates temporary rather than sustainable jobs or incomes in the informal sector. The Economic Development and CBD Programmes are cross-cutting and involve many Directorates, which are a challenge for the administration but aims to ensure joined up working. The directly funded LED activities tend to be in the formal sector. Specifically in relation to the informal sector, where informal traders have been given shelter, water, training and other amenities they appreciate it.
Question from research framework	Comments from this case study									
10.1 Overall pro-poor orientation and impact of the municipality	MLM has a strong commitment to pro-poor and inclusive development. There has been a major impact in terms of infrastructure in disadvantaged areas but very limited on incomes and employment. This is partly due to inadequate investment (eg the LED Unit is understaffed) and slow progress with implementation.									
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10.5 Coherence between overall LED strategies and pro-poor activities of the municipality										
10.6 Coherence between activities of LG and other actors (and partnerships)		Mangaung has made efforts to involve other actors during the IDP process and in								

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	<p>implementation, including the province, private sector and district. One programme (Mangaung Compact) is developing MoUs with key stakeholders to ensure co funding and joint programmes. The case study indicates that there is still a problem of coordination across government to support economic development, although the IDP and LED strategies have led to some improvements.</p>
10.7 Type of LED being used in the case study	<p>The LED being used in the study is to support the creation of the formal sector so it is difficult to find LED initiatives where the informal sector is. The FNB efforts are a good example.</p>
10.8 Implications of the case study for the M&E framework	<p>In terms of LED generally, Mangaung has a well worked out system for defining work programmes, strategies and outcomes. The capacity to measure is limited, although a household survey is proposed. This would be particularly important for the informal sector.</p>
10.9 How LED is being used as part of a response mechanism to socio-economic change	<p>The LED is responding to change in terms of recognising the importance of services to Mangaung's future and promoting key sectors such as education, legal;</p>

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	recognising the challenge of the Apartheid-created township of Botshabelo with a feasibility to assess the viability of labour-based manufacturing. The IDP and SDF recognise that it may be necessary to constrain expansion of Botshabelo if manufacturing is seen not to be viable.
10.10 Key lessons from this case study for policy and practice in SA	<ol style="list-style-type: none"> <li>1. The first lesson relates to the informal sector it self. It tends to be made up of people who are unemployed and poor.</li> <li>2. This means that an LED strategy that will be effective has to target the informal sector.</li> <li>3. Policy has to address productivity if it is going to work in the informal sector as the major issue for people is to find a job.</li> </ol>

## Annex 6 Mangaung's Economic Development Programme

### 1 IDP Objective

Priority Area	Objective	Indicator	Baseline (2001/2)	Target for June 2006	Possible 2005/6 target
Poverty Reduction	To contribute to a significant reduction in poverty in	Expanded Unemployment Rate	104 583 (40%)	35%	2.5% reduction?

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	Mangaung	% Households earning less than R1100 real per month	53.3%	48%	50%
Economic Growth	By 2006 economic growth will have improved to 4.5% and 6000 new jobs will have been created.	Increase in GGP		2%	2.5%
		Increase in number of formal sector jobs	156 874	162 874 (+ 6000 jobs)	1000

## 2 Proposed strategies

Identifier	IDP/RG Strategy	Sub directorate	Baseline	Target for 2005/6
LED 13	By 2006 to attract 20 major <b>national and international investors that are environmental friendly</b> , creating 3000 new jobs;	Economic Development		5 investors established in Mangaung that use energy efficient measures, clean technology, waste reduction methods and that employ large number of people.
LED 14	To promote additional purchasing of <b>local products and services</b> to the value of R50m per annum by 2006;	Corporate Support Management (Procurement Division)		R25m internal <sup>15</sup>
		Economic Development	Provincial Govt total procurement locally is ± R 320 million. ESKOM indicate R93 million for local procurement in the 2003/4 financial year	R25m (external)

<sup>15</sup> Could consider looking at indicator in terms of percentage procurement from local suppliers by other major employers in the area.

Identifier	IDP/RG Strategy	Sub directorate	Baseline	Target for 2005/6
LED 15	To assist <b>key sectors</b> in Mangaung to develop & grow so diversifying the economy and making it more resilient (health, education, agriculture, tourism, sport and recreation, legal, manufacturing)	Economic Development		400 new jobs created in <sup>16</sup> : <ul style="list-style-type: none"> <li>• Manufacturing</li> <li>• Transport</li> <li>• Agriculture (large and small-scale)</li> <li>• Tourism</li> </ul>
LED 16	To support development of a well established and sound <b>SMME</b> sector, increasing the number of SMMEs by 35% and creating 1000 new jobs;	Economic Development		30% of new SMMEs surviving beyond 3 years 200 new jobs created by local SMMEs /annum
LED 17	Provide support to the informal economy	Economic Development		Increase in number of start-ups? How about 100 people in informal sector assisted through MLM programmes.
LED 18	To ensure a skilled and well-trained <b>workforce</b> in the Mangaung area, with literacy rates of 90%;	Economic Development Corporate Services (Training) Roads & Storm water (construction learnerships) Housing (learnerships linked with EPWP)		100 learners trained through 5 skills programmes for SMMEs matched to market demands and 20 learners per learnership or skills programme (no. of learnerships & skills programmes per SETA active in Mangaung)
		Social Development		1% increase/annum in literacy rate
LED 19	To facilitate improved access to finance for local SMMEs	Economic Dev. (SMME division)		100 PDI SMMEs assisted with financing by local financial institutions

<sup>16</sup> Need to look at trends & figures for each sector to set a baseline and get an average in terms of jobs created

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Identifier	IDP/RG Strategy	Sub directorate	Baseline	Target for 2005/6
LED 20	To improve people's <b>livelihoods</b> through encouraging a range of community-based LED <sup>17</sup>	Economic Development	None employed on labour-based construction. MLM services not using community-based mechanisms	200 people having livelihoods supplemented through labour-based construction, community based services etc
				No. of co-operatives created.
LED 21	Establish and sustain the Mangaung Economic Development Partnership	Economic Development	No partnership agreements	3 partnership agreements concluded for implementation of EDS projects
LED 22	Promote a culture of entrepreneurship as a prelude to SMME development	Economic Development		How about: X people exposed to training and awareness raising around entrepreneurship through MLM activities
LED 23	Market & promote the city's competitive advantages	Economic Development		No. of advertorials/advertisements <u>or X% of business people in survey in Johannesburg aware of Mangaung and have a positive attitude.</u> If so add survey to activities – would be a good thing to do?
LED 24	Facilitate implementation of N8 Corridor	Economic Development Planning Property Management Environmental Management Housing Roads & Storm water Social Development Parks & Cemeteries Traffic & security		Target?

<sup>17</sup> Important link with the Community Resilience 1 strategy.

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3 *Proposed projects, services, activities and budgets*

<b>Project identifier</b>	<b>Proposed Directorate Projects /Activities/Services</b>	<b>Sub directorate</b>	<b>Capital budget for 2005/6</b>	<b>Operational budget for 2005/6</b>	<b>Contribution from other stakeholders<sup>18</sup></b>
<b>LED 1</b>	<b>Attracting major national and international investors</b>				
LED 1.1	Implement the investment promotion Plan				Free State Dept TEEA (financial and other support)
LED 1.2	Trade exhibitions & fairs	Economic Development		R60 000	DTI, TISA,
LED 1.3	Implement the Place Marketing plan	Economic Development Communications sub-directorate		R 232 000 To indicate operational budget	DTEEA, DLGH, Premier's Office
LED 1.4	Develop and implement an incentive package for the city	Economic Development		R 30 000	FDC
<b>LED 2</b>	<b>Purchasing of local products and services</b>				
LED 2.1	Quantify purchasing of local products by all major employers in the area.			??	
LED 2.2	Develop an accessible directory of services and products for the area			R50 000 (Economic Development)	Information & financial from all major employers (Free State Provincial Govt, Hospitals, parastatals-ESKOM, TELKOM, CUT, UFS, BCCI)
LED 2.3	Preferential procurement system- local SPs (set asides)	Procurement Division		To indicate operational budget	

<sup>18</sup> All IDP projects from 2002/3 and 2003/4 should be included and motivations for changes made (see pages 193-234 of 2004/5 IDP)

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<b>Project identifier</b>	<b>Proposed Directorate Projects /Activities/Services</b>	<b>Sub directorate</b>	<b>Capital budget for 2005/6</b>	<b>Operational budget for 2005/6</b>	<b>Contribution from other stakeholders<sup>18</sup></b>
LED 2.4	Regionalise the Proudly South Africa Campaign	Economic development Communication		R50 000 To indicate operational budget	
<b>LED 3</b>	<b>Sectoral development</b>				
LED 3.1	Promote development of innovative technology through partnership with Science Park	Economic Development		R20 000	Science Park
LED 3.2	Innovation and technology competition for primary & secondary schools	Economic Development		R60 000	
LED 3.3	Providing support infrastructure for production & processing plants.	Infrastructure Property Management	Infrastructure to indicate capital budget.	Property Management to indicate operational budget - leases	FDC, DTEEA,
LED 3.4	A comprehensive audit of tourism facilities	Economic Development		R 60 000	DTEEA, SAHRA, Motheo District
LED 3.5	Support to Local tourism industry	Economic development		R1 000 000	DTEEA, Motheo District
LED 3.6	Facilitate & promote service excellence in local business environment	Economic Development		R20 000	Business Chamber, Premier's Office, Mangaung Tourism
LED 3.7	Facilitate the implementation of a Transport Logistics HUB	Economic Development		R20 000	Dept of Roads & Transport & Public Works, Spoor net
LED 3.8	Conduct needs analysis of emerging and commercial farmers in the area	Economic Development		R20 000	DoA
	Facilitate access to land for agriculture-related activities	Economic Development	Property Management to indicate capital budget – purchase land	R50 000	DLA, DoA
<b>LED 4</b>	<b>SMME Support</b>				

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LED 4.1.	Strengthen the Local Business Advisor Network	Economic Development		R10 000 Economic Development	DTEEA, DoL, FDC, Real Estate Agents, Property Managers & Business Chamber
Led 4.2	Establish an SMME Service Centre	Economic Development	R1 000 000	R 300 000	Kellogg Foundation grant
LED 4.3	Match local skills to job opportunities (Skills Link-up)	Economic Development		R10 000	DoL, BCCI
LED 4.4	Assist local SMMEs in acquiring business premises	Economic Development Property Management	Property Management sub-directorate to indicate capital budget	R10 000 R15 000	FDC, Property Managers, Estate Agents
LED 4.5	Database/directory of SMMEs	Economic Development		R10 000	DTEEA (SMME desk), BCCI
Led 4.6	Facilitate access to markets (export & local)	Economic Development		R10 000	Fresh Produce Market, BCCI TISA, DTI
<b>LED 5:</b>	<b>Support to the informal economy</b>				
LED 5.1	Provision of hawking facilities	Economic Development	R250 000		
Led 5.2	Develop an informal economy policy	Economic Development		R20 000	
LED 5.3	Facilitate the establishment of informal trader associations	Economic Development		R10 000	
LED 5.4	Implement an effective Street Trader management system	Economic Development		R20 000	
LED 5.5	Information & awareness campaign for informal traders	Economic Development		R30 000	Communications, Environmental Health sub-directorates to indicate operational budget
LED 5.6	Improve regulation of the sector				
<b>LED 6:</b>	<b>Skilled and well-trained workforce</b>				
LED 6.1	Update Economic Profile and EDS	Economic Development		R30 000	
LED 6.2	Support training for key sectors in	Economic Development		R20 000	SETAs & DLGH

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	partnership with SETAs			Roads & Storm water, Planning (Building Management) & Housing sub-directorates to indicate operational budget for training/learnerships/skills programmes.	
Led 6.3	Promote the Skills Development Levy and Workplace Skills Plan by local businesses	Economic Development		R10 000	DTEEA
LED 6.4	Establish partnerships with local tertiary institutions around technical and management training for local entrepreneurs	Economic Development		R50 000	Research institutions, Training Providers, DLGH, DTEEA
LED 6.5	Facilitate ABET training and link with Training Providers			Social Development sub-directorate to indicate operational budget	Department of Education and Training Providers
LED 6.6	Literacy campaign			Social Development sub-directorate to indicate operational budget	Department of Education and Training Providers
<b>LED 7</b>	<b>Access to finance</b>				
LED 7.1	Facilitate the establishment of a Financing Institutions forum and set targets	Economic Development		R20 000	DLGH, Banks, Khula Finance
LED 7.2	Directory of local financing institutions	Economic Development		R10 000	Banks, Business Chamber
LED 7.3	Encourage the establishment of finance intermediaries	Economic Development		R20 000	DTEEA, DTI –Khula
LED 7.4	Promotion of saving co-operatives, self help groups and community banking schemes	Economic Development		R10 000 Social Development to indicate its operational budget	

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LED 7.5	Provide information on how to access finance	Economic Development		R30 000	DTEEA, DTI –Khula
<b>LED 8</b>	<b>Livelihoods and community –based LED</b>				
LED 8.1	Develop a pilot methodology for sustainable livelihoods programme			Office of the Speaker to indicate operational budget	Consultants, NGOs, Research institutions
LED 8.2	Facilitate access to business advice for communities to implement livelihoods programme	Economic Development		R 20 000	DTEEA, SEDO, DoA, CBOs, NGOs
LED 8.3	Marketing of local community economic development initiatives	Economic Development		R30 000	DLGH
LED 8.4	Developing community-based services (using municipal services as a base)			Parks & Cemeteries, Solid Waste, Fresh Produce Market, Roads & Storm water, Water & Sanitation sub-directorates to indicate operational budgets	DPW
LED 8.5	Encourage food security initiatives			Social Development to indicate operational budget	Department of Agriculture (CPFSP) Extension officers
<b>LED 9</b>	<b>Sustain the Mangaung Economic Development Partnership</b>				
LED 9.1	Strengthen & support to local business chamber (eg. regular business breakfasts)	Economic Development		R20 000	BCCI, DLGH, BMF
LED 9.2	Establish partnerships with local research organisations and institutions	Economic Development		R40 000	UFS, CUT, HSRC, NGOs, other
LED 9.3	Implement the terms of MOU emerging from the Mangaung Compact	Economic Development		R20 000 IIGR division to indicate operational budget	

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<b>LED 10</b>	<b>Promote culture of entrepreneurship</b>				
LED 10.1	Annual Business of Year Award (different categories)	Economic Development		R50 000	DLGH, DTEEA, Business Chamber
LED 10.2	Annual entrepreneur competition in local schools	Economic Development		R50 000	Involvement of Department of Education, DTEEA (SMME Desk)
LED 10.3	Lobby for the implementation of entrepreneurship training at all local schools	Economic Development		R20 000	Department of Education, CUT, UFS, Science Parks
LED 10.4	2 Entrepreneurial awareness road shows	Economic Development		R40 000	DTEEA, DLGH, CUT, BCCI
<b>LED 11</b>	<b>Market the City</b>				
LED 11.1	Perception survey of business people in Joburg	Economic Development Communication?			
LED 11.2	Establish and support initiatives that sustain Mangaung as regional sports events venue	Economic Development		R75 000	Sports Clubs, Sports Associations, Sports & recreation division
LED 11.3	Establish and support initiatives that sustain Mangaung as a regional health facility node				Hospitals, clinics, Health sub directorate, DoH
LED 11.4	Establish and support initiatives that sustain Mangaung as regional education centre				DoE,
LED 11.5	Build on advantage of being judicial capital city			Social Development sub-directorate (libraries)	Lawyers Associations, Law Society of the Free State
<b>LED 12</b>	<b>N8 Development Corridor</b>				
	Develop a Planning & Implementation Framework N8 Development Corridor Framework (economic activity nodes)			R500 000 (Economic Development- funds from DBSA)	Business Stakeholders
	Feasibility study for intensive industrial zone in Botshabelo			R100 000 (Economic Development- funds from DBSA)	

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				Perhaps allocate more here – at least 400k, so convincing	
	Infrastructure in support of N8 Corridor		R 1 000 000 (Economic development) R15 000 000 (Housing) – DLGH subsidies Roads & stormwater to indicate capital budget	R20 000 (Planning) R20 000 (Environmental management) - EIA  Social development, Parks & Cemeteries, Traffic & Security sub-directorates to indicate operational budget	Provincial Department of Public Works , Roads & Transport SANRA

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