

Leading Local Economic Development in the 'New' Normal: Urban and Rural Challenges in the Case of a District Municipality in KwaZulu-Natal, South Africa

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Abstract

South Africa's economic performance has been negatively impacted by factors including political instability, protests, power outages, and natural disasters, leading to economic decline and difficulty in recovery thereof. Small businesses and municipalities, especially in remote areas, face significant losses and struggle to recover. Local Economic Development (LED) in the country is crucial for economic growth and job creation. However, challenges such as corruption, political interference, capacity limits, and lack of funding hinder successful implementation of LED. This paper focuses on difficulties faced by municipalities, necessitating them to implement resilience methods to adjust to current situations. It explores the tremendous changes caused by the pandemic, analysing its influence on several aspects of society and the local economy. The study conducted in the uMgungundlovu District Municipality in KwaZulu-Natal, examined challenges faced by stakeholders in implementing LED with emphasis on the need to enhance resilience to address challenges in the 'new' normal. Through qualitative analysis, the research engaged LED practitioners using interviews to gain insights into their lived experiences and issues affecting LED implementation. The findings suggest the need for enhancing urban and rural resilience through adopting adaptive strategies and facilitating stakeholder collaborations as key factors for the district to address these challenges.

Keywords: Local Economic Development; The 'New' Normal; Urban and rural resilience; Adaptation; LED challenges; Stakeholder collaboration



Introduction

Local Economic Development (LED) in South Africa is regarded as important in facilitating the country's economic growth and performance. Local Economic Development as a municipal initiative, involves local governments, businesses, and other stakeholders collaborating to form new partnerships and promote economic activities that generate employment opportunities in municipal jurisdictions (Agbevide, 2020). The LED process is initiated by local actors using local resources to enhance the economic potential of communities, aiming to elevate the economic position and quality of life of residents and reducing poverty (Agbevide, 2020; Meyer, 2014; Reddy, 2018). Although there is strong governmental support for LED in the country, academic research shows that most municipalities have not been successful in promoting LED initiatives successfully. Rogerson (2019:919) noted that corruption, political interference, capacity limits, and a lack of funding have greatly hindered the implementation of many of the country's LED efforts. Moreover, absence of public involvement is a significant hindrance to the successful implementation of LED. In order for LED to be effective, active participation from local stakeholders, including businesses, civil society organisations and residents is crucial, including involvement of sector departments in municipal engagements aimed at enhancing sectoral coordination between provincial and local government. Local Economic Development is not prioritised in many municipalities owing to a lack of understanding about its roles and functions, and a reluctance to collaborate with the business sector (Meyer, 2014; Meyer & Meyer, 2016; Rogerson, 2019). Chomane and Biljohn (2023) find that the adoption of LED especially in smaller towns faces several obstacles, including, the limited success of LED projects and programmes beyond their financing period, insufficient LED capacities, and conflicting beliefs about LED's conceptualisation, aims, and objectives, regardless of the approach used. This obviously worsens the country's ability to deal with problems related to unemployment, inequality, and poverty which also affect the country's economic performance.

The current economic conditions in South Africa are proving to be troubling, with the country's economic performance deviating from the trajectory outlined in the National Development Plan, 2030. This economic decline in the nation is mostly due to the poor economic performance in recent years, partly influenced by the unstable political environment. Research referenced by Reddy (2017:1) from Hayward et al. (2009) suggests political instability as one of the causes of an underperforming economy. A prime example of this is the economic paralysis that the nation experienced in 2021 as a result of political instigators' actions. Vhumbunu (2021:6) notes that the country's economy and infrastructure have taken a major hit due to the recent intensification of protests. There has to be a greater feeling of urgency and more political backing for security forces in order to address the battle of the criminal and violent fallout of political turmoil (Chipkin, Vidojevic, Rau & Saksenberg, 2022:2). South Africa's economic growth has been hindered



by many socio-economic challenges, and some of the salient issues are tracked to give context to the economy. According to the World Bank Group (2024), since becoming a democratic nation in the mid-1990s, South Africa made great strides in improving the lives of citizens. Progress had slowed down in the last decade. From 2005 to 2010, the population living below the poverty line in upper-middle-income countries fell from 68% to 56% (World Bank Group, 2024). A slight upward trend observed since then, is the country reaching 57% in 2015 and an estimated 62.7% in 2023. Since 2012, the average GDP growth was a mere 0.8 percent, deemed an inadequate rate of economic expansion to effectively combat persistently high levels of unemployment and poverty (Department of Treasury, 2024). Consequently, South Africa's economic growth has been hindered by many challenges including the global pandemic having a drastic impact on the economy. Despite a positive start after the global pandemic subsided, the projected GDP growth rate for South Africa in 2023 was lowered to 0.6% (Department of Treasury, 2024). This probed the country to operate in what was termed a 'new' normal. Challenges include prolonged power outages affecting business growth, the severe impact of the recurring KwaZulu-Natal floods, and a significant uprising that paralysed the economy. These elements have significantly impacted the country's overall economic performance with local governments largely affected and struggling to recover. Natural disasters such as floods, the persistent power outages due to the Eskom power crisis, and the absence of a sense of urgency in responding to protest violence continue to exacerbate the poor economic performance of the country. Recurring floods revealed insufficient allocation of resources and neglect in maintaining infrastructure by the government, as well as a lack of proper disaster management planning and preparedness to mitigate consequences thereof. A significant number of municipalities have neglected to sufficiently allocate resources effectively to uphold their infrastructure, including storm water drainage systems. These factors have contributed to re-occurrence of flooding in various towns in the country. This has a detrimental effect on local supply chains, marketplaces, and the well-being of small business owners and their staff (Pant & Jedrzejczak, 2022:3). Many organisations' ability to recover, withstand challenges, and sustaining operations into the future is at risk as these challenges influence various extraneous factors, including escalating inflation, increasing fuel and alternative energy costs, disruptions in water and electricity supply, and rising interest rates. These challenges have now become a 'new' normal for many businesses (both small and big) and for municipalities to navigate amidst service delivery provisioning. Small businesses and small municipalities in remote and rural areas are especially at risk of significant losses due to financial constraints limiting their ability to quickly recover (Khambule, 2022).

Considering the above, the research thus aims to examine the challenges confronted by stakeholders in successfully implementing LED within the District Municipality. It begins with offering a clear breakdown of the methodology of the research and the study region. Subsequently, the paper concentrates on the issue at hand of leading LED in the 'new'



normal following the substantial disruptions that have affected the nation. This is followed by an examination of the impact that these disruptions have had on LED in the country, as well as a discussion of the changing role that local government plays in the process of promoting economic development. It outlines six major interrelated challenges faced by stakeholders in implementing LED in the district, which have greatly impeded effective implementation. The emphasis then shifts to enhancing resilience to address the difficulties presented by the 'new' normal. The study concludes by posing the question of whether the district can adjust to the new problems, suggesting the need of enhancing urban and rural resilience as key factors for the district to address these myriad challenges.

Methodology of the Study

The research used a qualitative method at a prominent district municipality in KwaZulu-Natal. This approach influenced the design and strategy, which included multi-stakeholder engagement and inductive reasoning. The research was conducted in the uMgungundlovu District Municipality in KwaZulu-Natal, which comprises seven local municipalities, two of which are urban and the remaining five predominately rural. Bartunek and Seo (2002:238) suggest that qualitative techniques enhance local viewpoints, whilst Auriacombe and Mouton (2007:441) contend that this approach offers insights into societal concerns. This method provided the study with substantial material and focused on understanding the research problem in order to address it. The case study technique was suitable for the research problem whilst purposive sampling was used to select participants with expertise and their lived experience in the research subject. The primary population consisted of district municipality and affiliated local municipality staff members actively involved in LED planning and implementation, i.e. LED officers and coordinators, LED managers, IDP managers and economic development directors. Inclusive was municipal LED support personnel from sector departments and agencies that helped with implementation, investment attraction and business support, as well as with monitoring and evaluation and providing financial assistance. A representative cross-section of government organisations involved in LED planning and implementation hence made up the sample. Through an interpretivist paradigm, twenty-four LED practitioners were interviewed using semi-structured and open-ended questions taking on a context-specific exploratory and open-ended perspective. The group included LED officers, coordinators, managers; IDP managers; economic development directors for each municipality which focused more on planning and LED implementation, and officials from supporting sector departments and government agencies that focused on the support and oversight as such. Despite the different perspectives, the research revealed that much of the responses highlight complex challenges faced by the varied stakeholders in actively achieving their roles and to support and implement LED at a local government level. Data was gathered in person and virtually recorded and then transcribed. Inductively, thematic and content analysis guided the



research to gain a deeper understanding of local perceptions through identified main patterns and themes in the data.

Local Economic Development in the 'New' Normal

Following the 2020 pandemic, there was a significant change in the way things were done, leading to the emergence of what is often known as the 'new normal'. The phrase 'new normal' recognises that the difficulties we now encounter are not sporadic or isolated events, but rather have become a lasting and widespread aspect of our reality in terms of operations, procedures, and regulations. It implies that the present situation is not a short-lived irregularity, but rather a persistent and structural circumstance that requires continuous adjustment. The current state of affairs, referred to as the "new" normal, is marked by a significant shift in the nature of these difficulties. This shift is anticipated to endure and maybe become even more widespread in the future (Mithani, 2020:510). Consequently, the concept of the "new normal" suggests that societies must adjust to these changes and integrate them into their strategic planning and decision-making processes. The COVID-19 pandemic had a substantial impact on the evolving concept of the 'new' normal, bringing with it a considerable amount of uncertainty. This worldwide health crisis has caused an unprecedented level of uncertainty, resulting in substantial disruptions in global economies, industries, and adversely affecting and displacing local communities (Chaudhary, Sodani & Das, 2020; Khambule, 2021; OECD, 2021; World Bank Group, 2020). The presence of this ambiguity has had a substantial impact on the evolution of the new norms presenting unique obstacles and dynamics that organisations and authorities must adeptly navigate. The pandemic triggered significant economic disruptions, such as recessionary circumstances, increased market volatility, supply chain disruptions, and shifting consumer demand (Chaudhary et al., 2020; Oberoi, Halsall & Snowden, 2021; World Bank Group, 2020). The economic uncertainty has posed challenges for both governments and businesses in terms of financial planning, resource allocation, and predictive analysis.

Organisations were required to adapt their strategies and operations to match the new realities brought about by the emergence of the 'new' normal environment, resulting in a transformation of the current business landscape (Ahlstrom, Arregle, Hitt, Qian, Ma, & Faems, 2020; Ramírez de la Cruz, Grin, Sanabria-Pulido, Cravacuore & Orellana, 2020). The current context is characterised by significant changes in economic, technical, demographic, and socio-political factors (Ahlstrom et al., 2020:414). The aforementioned alterations have important implications for individuals in management, strategic, and entrepreneurial positions, presenting a unique array of problems and possibilities that differ significantly from previous years (Ahlstrom et al., 2020:419). The advent of the financial crisis and pandemic in recent years, together with its ensuing ramifications, have led to changes in consumer behaviour, market dynamics, and regulatory frameworks. In



addition, the widespread use of digital platforms and the rise of e-commerce have greatly changed the ways in which companies and governments carry out their operations and communicate with customers (Ahlstrom et al., 2020:413). The building and development of e-services infrastructure are crucial for enhancing public service delivery (Oberoi et al., 2021:124). This encompasses the allocation of resources towards the enhancement and advancement of digital platforms, the promotion of wider internet accessibility, and the streamlining of online procedures to facilitate company growth and development, hence expediting LED in the current 'new' normal. To effectively respond to changing market conditions and meet customer demands, businesses and governments must possess the ability to quickly adapt, modify strategies, and fully embrace innovation (Ahlstrom et al., 2020; Cilliers, Oosthuizen, Kwasi, Alexander, Pooe, Yeboua & Moyer, 2020; Thani, 2020). The crisis has accelerated the pace of digital transformation in several industries, as businesses are now obligated to adopt remote working, virtual communication platforms, and digital sales channels (Ahlstrom et al., 2020:412). The response to the COVID-19 pandemic would not have been possible without the contributions of science, technology, and innovation. The Organisation for Economic Cooperation and Development (OECD) (2021:3) therefore proposed that government interventions should not only concentrate on addressing short-term financial challenges, but be accompanied by an accelerated spread of technology in support of an inclusive digital transformation. The rapid shift towards digitalisation hence poses both challenges and possibilities for organisations to embrace technology and transform their operations. Hence, the need of risk management and contingency planning can be emphasised hereto (Ahlstrom et al., 2020).

The pandemic's inherent unpredictability has emphasised the need of being adaptable and agile under the current circumstances. The crisis and its aftermath presented a challenge for governments and businesses, requiring them to demonstrate innovation in their approach (Ramírez de la Cruz et al., 2020). Cilliers et al., (2020) predicts that the COVID-19 pandemic would cause a setback in the progress of development in Africa, undoing years of advancement on the continent. The pandemic has created significant barriers that are expected to impede Africa's progress in reaching the objectives and strategic intentions outlined in the Sustainable Development Goals (SDGs) by 2030 (Cilliers et al., 2020; Khambule, 2021). The pandemic in South Africa (Cilliers et al., 2020; Khambule, 2021) caused considerable disruptions in several areas of the economy, including health, education, agriculture, and commerce, leading to negative socio-economic consequences. It had a substantial influence on both the assurance of adequate food supply and the state of nutrition deficiency. This is evident via interruptions in the distribution networks, reduced agricultural output, and a decrease in income among susceptible groups (Khambule, 2021). This trend has compromised the goal of eradicating hunger and attaining food security in the country. Furthermore, the economic consequences of the COVID-19 pandemic, such as reduced commerce, tourism, and foreign direct investment have led to increased levels of poverty, unemployment, and inequality as well as the



impact on the justice system and health care in the country during the period. These problems stated above may impede progress in efforts to eliminate poverty and promote equitable economic development, particularly in South Africa where these difficulties persist and have prolonged effects. In South Africa, the COVID-19 pandemic has had a severe economic effect, endangering the employment and survival of many individuals and households, especially those who are most vulnerable (Khambule, 2022; Republic of South Africa (RSA), 2020; Chaudhary et al., 2020; Makhaye, Subban & Gerwel Proches, 2021; The Presidency, 2020). The South African Presidency recognised that the pandemic has exacerbated the existing problems of poverty and unemployment in the country. It emphasises that as the process of rebuilding continues, it is crucial to aim for more than just returning to the previous state of affairs. Instead, it is crucial that the nation seizes the existing conditions to efficiently rebuild the economy and society in a way that brings about substantial positive transformation (RSA, 2020).

South Africa's economic reconstruction and recovery plan recognises the importance of targeted interventions in promoting a rapid economic recovery. To accomplish this, the plan outlines several critical steps that must be carried out quickly and effectively. This includes the need to make significant investments in infrastructure development, such as improving and expanding transportation networks, improving energy infrastructure, expanding digital connectivity and allocating resources to social infrastructure, such as schools and hospitals. The goal is to create job opportunities, encourage more local investment and lay the groundwork for long-term economic growth, while also recognising the importance of a dependable and enduring energy supply (RSA, 2020). As such, the plan advocates for a shift to a new energy paradigm. This entails diversifying the energy portfolio, allocating resources to renewable energy sources, improving energy efficiency, and ensuring a consistent and cost-effective energy supply. This transformation is expected to boost economic activity, create environmentally friendly jobs and improve environmental sustainability, all of which are important to LED (RSA, 2020). Furthermore, the plan acknowledges the importance of implementing strategies to encourage creation of job opportunities and assist those whose livelihoods have been significantly impacted by the country's poor economic performance. This includes a variety of measures such as implementation of the expanded public works programme, provision of targeted assistance to businesses with significant job creation potential, establishment of skills development and training initiatives, and the facilitation of support for entrepreneurship and small businesses (RSA, 2020). Recognising the importance of the private sector in driving economic growth, the plan prioritises empowering small businesses through initiatives such as improving financial access, streamlining regulatory procedures, encouraging innovation and competitiveness, and facilitating market entry. This would include reform initiatives aimed at establishing a dynamic and equitable economy by addressing legislative ambiguity, reducing bureaucratic barriers, fostering equitable competition, and creating a favourable business climate for small and emerging



businesses. The expedited implementation of these changes is expected to boost economic performance, attract capital investment, and promote inclusiveness throughout the country (RSA, 2020).

Likewise, the National Planning Commission (NPC, 2020) recognises that achieving this requires a fundamental change in mindset that embraces societal harmony. The shift in mindset implies a fundamental shift in the way we think, recognising that crises are no longer isolated incidents, but rather interwoven and deeply rooted in our social, economic and political systems. The idea of the 'new' normal implies modification of lives, economic approaches and relationships with the environment in response to this altered state of affairs. It moreover underscores the importance of proactive and all-encompassing solutions that considers the interdependence of environmental, social and economic variables. Hence, it requires a comprehensive strategy promoting sustainability, resilience and the ability to adapt to changing environmental challenges (NPC, 2020). Adjusting current circumstances requires displaying resilience, embracing digital change, prioritising inclusion and equity and enhancing collaborations and partnerships with stakeholders. As the country continues to face complex challenges of unemployment, poverty, and increasing inequalities, business development and growth are hindered by hurdles that undermine the capacity to effectively address these socioeconomic problems. Undoubtedly, the country's ongoing energy supply problem causes disruptions exacerbated by the negative impacts of climate change. Therefore, both business and government sectors must respond promptly to changing circumstances and create opportunities to improve organisational performance, thereby overcoming the issues. The country's rapid recovery process, as well as its ability to tackle specific socioeconomic challenges, is dependent on enhancing resilience by implementing strategies to overcome disorder, uncertainty, and interruptions; reinforcing urban resilience; adjusting to digital transformation; retraining the workforce; and prioritising inclusivity and fairness for social resilience. There is a growing need for an adaptable and efficient governance to address the rising levels of violence, flood catastrophes, and the consequences of global pandemics. Providing support to small businesses is essential in helping them navigate the challenges posed by the unpredictable and complex operating environment. Thus, effectively tackling the multifaceted challenges encountered by small firms requires a cooperative strategy including government authorities, businesses, organised institutions, and local communities to foster their resilience. Given the complexity of the activities that have been seen in facilitating LED that supports business development, it is imperative that a strategy that is flexible, collaborative and participatory be used, involving many stakeholders and considering their diverse interests, demands, and viewpoints. Therefore, a more multifaceted and adaptable strategy is required to properly deal with the constantly changing and unforeseen situations in LED undertakings.



Changing Role of Local Government in Local Economic Development

Local governments are responsible for delivering crucial services and tackling local issues since they are the sphere of government nearest to the local residents (Khambule & Mtapuri, 2018; Meyer, 2014; Reddy, 2018; Tshishonga, 2019). Various structural challenges in South Africa complicate the development and implementation of LED initiatives. The challenges consist of persistent spatial inequalities and economic disparities, access to finance and the financial management of municipal funding, fragmented responsibilities, limited capacities and skills, and a complex regulatory environment impacting business facilitation. To successfully tackle these difficulties, it is essential for the government and other stakeholders to work together and prioritise transparency, accountability and good governance practices. Reddy (2018) proposes that local governments must have an enabling and innovative governance structure to successfully carry out their obligations, aligning with their intended outcomes to bring about a change in their roles and objectives. This change in responsibilities and objectives highlights the importance of local government in promoting favourable outcomes and safeguarding the welfare of communities. Local government plays a significant role in LED by establishing conditions that support economic growth and progress in the local regions. They are obligated to providing and maintaining critical services including roads, sewage, water and electricity to facilitate economic growth and development. This involves improving and maintaining current infrastructure and allocating resources for establishing new infrastructure as needed. Establishing a conducive environment in local government typically requires developing policies and strategies that promote economic growth and fosters development. This includes creating a LED Strategy that outlines the vision, goals and objectives for LED in the area (Meyer, 2014). Olausson (2020:440-441) contends that local governments' economic development efforts lack a solid foundation for legitimacy due to the prevailing high levels of uncertainty in our current environment. Understanding that economic growth alone is not enough, and that social and economic progress are both essential is critical when considering the role of municipalities in LED. Socioeconomic advancement relies on not only economic foundational factors, monetary support opportunities, but also on institutional conditions (Marks-Bielska, Wojarska, Lizińska & Babuchowska, 2020). Municipalities will need to establish a solid link between their developmental goals and creating favourable conditions for local businesses that promote the development effort. This involves assisting local enterprises by improving access to financial resources, offering business guidance and training, and establishing a conducive atmosphere for greater local expansion (Meyer & Meyer, 2016). Moreover, they must retain and attract businesses in their jurisdiction to boost the economy within their boundaries. This also involves prioritising investment promotion to attract investors to the region, both local and international by promoting the distinctive features and advantages of the local region, as well as establishing a business-friendly climate to attract this investment that would foster economic growth.



Stakeholders' Challenges in Successful LED Implementation



Figure 1: Key issues and challenges in LED

Source: Authors' perspective

Findings of the study revealed six key themes that challenged LED in the district municipality as illustrated in Figure 1 which included: (i) capacity and resource constraints; (ii) institutional challenges; (iii) socio-political factors; (iv) health and environmental constraints; (v) technical and financial challenges; and (vi) socio-economic constraints.

These themes were conceptualised to identify the complexity of these challenges and their interconnections. The figure depicts a conceptual overview of major concerns and obstacles related to LED in the district being explored in the case study. Problems and obstacles are categorised into many interconnected themes. As illustrated in Figure 1, LED is a multifaceted field challenged by several linked elements such as technological, financial, socio-economic, institutional, socio-political and environmental aspects.

The theme of institutional challenges viewed by the authors pertains to internal obstacles. These include limited engagement and ineffective implementation of LED strategies, miscommunication and misalignment, problems with policy enforcement, decreased trust in governance and leadership, unclear stakeholder roles, and reluctance to engage in and oversee LED activities. This theme is emphasised by two participants in Msunduzi Municipality summing the challenges associated with subthemes relating to governance



and leadership; stakeholder participation and monitoring; limited engagement and poor implementation; and policy implementation as follows:

I think there are challenges, mainly trust, but I think some municipalities are good at reaching out to relevant stakeholders and others are just bad at it. Stakeholders would probably be private sector, civil society, labour. Trust has broken down in terms of basic service delivery at a local government level severely affecting ability to develop the economy. I also think that the other big challenge is that municipalities sometimes feel like they need to create economic development themselves and forget that their role is to be able to create enabling environments. So, for example, it's to build that road that so badly needs to be built to that factory so the factory can be retained. I think we forget about the role that infrastructure plays in creating that environment... the other big challenge is the fact that they just lack relevance when calling the stakeholders to meetings, particularly private sector. At a government level I think LED is kind of like a forgotten stepchild. And that's simply because the value of it is not well understood. (Participant 22, 2023)

People are claiming our city without proper papers. Some of the illegal immigrants in our country, they run businesses (illegally), and no one follows up. They're creating a valid term situation and putting our own businesses down. (Participant 7, 2022)

Participation and engagement strategies came out strongly as significant challenges associated with implementing successful LED. Two participants summarised challenges associated with subthemes on communication and coordination, poor policy implementation and the limited engagement as follows:

It's the silo mentality with duplication of efforts and you find that maybe when there's plans and programmes, they do not complement each other, or they are competing...within the municipality environment with very limited resources. So, one would think that, why don't we just pull in together, and utilize each other's strengths and resources to accomplish one goal. (Participant 21, 2023)

Well, a classic example which has now been resolved is that of the Department of Agriculture and Rural Development and Land reform whereby, the Department of Agriculture in Cedara is putting money into an Agri-hub in Mooi River, the Department of Rural Development which doesn't have an office in Cedara but has a national office represented locally here is putting up an Agri-hub in Middelrus and up until now the two didn't know about each other's (projects). It is an example of the disjuncture and silo mentality in one



department which I think now are being addressed by the DDM model in its co-ordinating role. (Participant 18, 2023)

Technical and financial concerns were raised which includes challenges related to securing finances, accessing research and technology, and gaining required technical and financial competence. It is perceived by the authors that addressing these challenges is essential in order to encourage innovation and make it possible for economic growth to materialise. However, confronting these challenges is a difficult task for many of the municipalities, as alluded by the three participants below who summarised technical and financial concerns as follows:

As the municipality I don't think we have adapted with simple things like digitising submission of your business license application or digitising submission of informal trading permits. We still have reluctance from others. (Participant 1, 2022)

A shortage of required skills for our economy. You'll find that in our municipality there is someone who is qualified who has an IT degree, but it is said that our economy needs someone who is strong in agriculture and tourism. (Participant 8, 2022)

....we normally get, conditional grants from different government departments and we have been using them for our operations. For example, to pay our salaries and other operations. We had a big debt with Eskom and while we're failing to connect for our electricity sales, then we end up paying the Eskom debt using conditional grants. We struggle to get funding either from government financial institutions or other investors as our municipality has been under administration since 2018. So sometimes other institutions and government institution, they are not finding it easy to fund us or to inject any financial support to the municipality. We end up failing to implement our LED strategy. (Participant 8, 2022)

Problems of capacity and availability pertain to challenges arising from constrained resources. Difficulties included effects of increasing urbanisation, which often leads to prioritisation of urban regions over rural ones; lack of skilled workers; insufficient access to funds; and challenges in sustaining infrastructure. Such limitations may restrict a municipality's ability to provide necessary services and inhibit overall economic growth, leading to public discontent. Respondents pointed out difficulties related to limitations in capacity and resources. Issues mentioned include growing urbanisation, urban bias, shortage of qualified workers, limited access to funding for infrastructure development and maintenance. The theme addresses challenges relating to fundamental service



delivery, such as water and electricity, digital access and engagement. Four participants summed their responses:

...a challenge that is faced by LED is the issue of load shedding that is affecting us negatively in a way that most of our businesses are leaving the municipality. In terms of business retention and expansion, we are losing out...so, it's not something that is affecting us locally. It's something that is affecting us regionally and provincially as well as nationally. When it comes to urban and rural, it's similar problems or similar challenges that are faced by our businesses...the issue of unemployment is a problem, the lack of technical skills is a problem as well because you can do whatever in terms of, upskilling your subordinates as an SMME, but at the end of the day, if there are no opportunities out there, it becomes a problem. (Participant 19, 2023)

I think the rural community is, I don't know maybe just happy to get anything. It could be because we've taken so long to address their service delivery issues. (Participant 1, 2022)

I don't have confidence in the ability of financial institutions to come through for the SMME's. So, I think that where the LED practitioners get frustrated, because they may try to create linkages with iThala, SEFA and the turnaround times are so slow that even they lose faith in their ability to support SMME's. (Participant 18,2023)

Another thing that is of concern for our district, is that it is mostly made up of rural municipalities and the network is a huge challenge...Then you'll have an influx of people from all over other municipalities coming to Msunduzi to do their business. So, the ideal situation would have been to decentralise some of services and ensure that all these municipalities are fully equipped with technology, free wi-fi, much-needed business needs and so forth. (Participant 23, 2023)

So, you'll find that, in municipalities across the province, and perhaps even more so across the country, we don't have municipalities that are able to articulate themselves. And by that, I mean, they are unable to say, these are our economic sectors within our locality. This is what our advantages are in terms of our competitive advantages and our comparative advantages in terms of finding their linkages between the broader economic development frameworks and network. So, they can't identify who they are. They also can't identify, their strengths and their weaknesses in terms of economic development. They are also struggling to market themselves and take up that



posture of being an economic powerhouse within themselves. So, they constantly try and feel that they're not strong enough to leverage this kind of investment into their spaces. (Participant 15, 2023)

Socio-economic constraints include difficulties such as socio-economic disparities, poverty, joblessness and inequity. These highlight the need for a shift in mindset amongst the various stakeholders. These elements are signs of fundamental structural difficulties in society that good LED initiatives must address to bring about tangible change. Two respondents summed it up as follows:

We are all aware of the inefficiencies in offices in our government departments... the issue of budgets, I'll make an example, with our organisation, our financial year started on the first of April 2022 and budgets for the branches were only allocated a month and a half later... So, being so close to these offices and having access to all this information it would be very easy to say yes there is enough attention being given to LED. However, once you look at the overall impact that we are creating at a local level, I would say no (not enough attention is paid to LED). From what I've seen, the conditions under which people are living, you drive around the CBD, the townships nearby, there's a high poverty level that is very clearly visible. Educational infrastructure, in the townships the schools, poor service delivery and just general poor maintenance of public infrastructure. So, from that, I would say there is enough noise, budgets are there and programmes, but no one goes back to assess if there's a real impact that we are making. So, if there is no satisfactory improvement how can we say there is enough attention being given to LED (to address these challenges). (Participant 10, 2022)

Another challenge is that people expect handouts, we've created that perception that we give, we give, we give. We have been pouring money a lot of money into projects that are not growing (and) we need to have mindset shift now. (Participant 11, 2022)

Environmental and health concerns are influenced by several causes such as disease outbreaks like Covid-19, floods, climate change impacts and prolonged drought spells that directly impact on LED. It can be said that, these have the potential to cause devastating and long-lasting impact for local communities and local government, as highlighted by some of the respondents below.

I think we were the hardest hit by covid-19. If you look at the sectors we have, the informal economy, there were a number of restrictions that we imposed on them. They needed a specific permit to operate during lockdown to say they can sell. And I think you'll remember there were controls in terms of what



they can sell, and they were everywhere. So even prepared foods, So the informal economy really suffered during COVID-19, especially during the times of lockdown. The tourism industry also, at some point, it was closed completely. (Participant 1, 2022)

So, the issue of COVID really made us to really dig deep and, have a plan regarding this. In terms of implementation of our programs, we were affected because of contractors and projects being delayed. (Participant 9, 2022)

Socio-political aspects refer to external socio-political issues that affect LED. Difficulties include restricted civic involvement, power disputes, loss of trust, citizen unrest and unmet expectations. These issues may adversely impact efficiency and results of LED projects.

But also, to try and build relationships because it's not something that we're good at as local government, so the private sector does not trust us and we don't trust the private sector and, there's that huge disjuncture between, how we see ourselves. So, we've been trying to get the leadership, especially now with the new leadership that has come in November, trying to kind of rewire them to think out of the box and to try and make them see the value of building relationships within investors for economic development. (Participant 15, 2023)

There is a gap between the municipality and the tribal authority. (Participant 14, 2023)

I think with this project, with this funding, it has made them (Amakhosi) to understand that we are not competing. (Participant 2, 2022)

In LED you are not office bound. You need to go to people. You need to commit to people, but you do not want to create hype and creating empty promises to people...but a huge challenge is most people outside see LED as having billions and billions sitting in the office, then (assume) you're stopping them to getting those billions. (Participant 3, 2022)

The key challenge will be politics. What do I mean? We are working as government officials or municipal officials. But again, the political interference does hinder our development. It does hinder our planning, the way that we do things and strategies that we are using. So, politics has a negative impact... some are persuaded that can you please make sure that you assist this particular individual or this particular group. So, with that in mind, you know, it's somehow an interference because we require that the applications must come to us without any information (instruction) saying



that you need to assist this one. Don't assist this one. In some instances, you know, when you've offered assistance, you'll be asked how did you get hold of this person? Why didn't you inform me before assisting? (Participant 14, 2023)

Findings suggest that proper dealing with LED problems requires a comprehensive approach that considers the interconnected nature of these challenges. The findings are in line with recent research (Mubangizi, 2021; Mubangizi, 2022 and Mubangizi, 2023) and suggest that responding to LED problems requires a comprehensive approach that considers the interconnected nature of these challenges. This implies that successful implementation of LED involves factors beyond merely financial aspects. It involves identifying and handling various social, political, environmental and institutional elements. These components might disrupt local economies and pose hurdles to LED implementation if not addressed leading to public discontent and civic unrest. The research emphasises the need for engaging stakeholders in efficiently tackling these challenges. By recognising and dealing with such challenges, local governments may adopt LED practices that are more strategic, inclusive and resilient. To successfully address these pragmatic issues related to LED, a comprehensive and unified approach that considers all relevant factors is necessary to create a robust and sustainable local economic growth strategy.

Strengthening Resilience to Handle Challenges in the 'New' normal in Local Economic Development

Local Economic Development is a complex concept that involves several interconnected challenges, including technological, financial, socio-economic, institutional, socio-political, and environmental considerations as highlighted in the findings. The South African Local Government Association (SALGA, 2020:37) highlights four challenges for municipalities and local governments: leadership and governance, spatial transformation, fiscal policy, including infrastructure and service delivery issues. These challenges have resulted in rising service delivery backlogs, corruption, poor financial management and ongoing protests that hinder the successful implementation of LED (Reddy, 2018; SALGA, 2020). To counteract this, Ramírez de la Cruz et al., 2020 argue that municipalities should work in collaboration with a wide array of social actors in order to develop novel technologies and strategies that produce and amplify collective advantages. The argument proposes dealing with complexities associated with LED requires a thorough and cohesive approach that considers all pertinent aspects in order to create resilient and sustainable strategies promoting local economic growth. The finding provided a conceptual overview focusing on the primary concerns and challenges related to LED implementation in the study area. The issues and challenges are categorised into many interrelated areas. Capacity and resource limitations refer to issues resulting from limited resources. This is likely due to the challenges associated with the impact of increasing urbanisation favouring urban regions over rural ones, lack of qualified practitioners, limited access to funding, and



the challenges of maintaining existing infrastructure. As such, the findings link these challenges to the ability of the municipality to properly provide critical services such as water and electricity, as well as raising concerns regarding digital access and participation. These issues might impact a municipality's capacity to provide essential services and hinders economic growth, leading to public dissatisfaction. Similarly, Masiya, Davids and Mangai (2019) identified many key factors that contribute to public discontent with service delivery. These factors consisted of feelings of unfairness and a sense of lacking compared to others, together with unmet political promises. Inequitable service access, inadequate service provision, and high poverty rates as contributing issues, along with ongoing disparities dating back to the post-apartheid era. The author's findings are consistent with the findings of this study and emphasise the interconnectedness of issues raised in the paper. Socio-political factors are external obstacles of a socio-political character that were identified to impact on LED. Challenges include limited civic engagement, conflicts or fight for power, eroding trust, public discontent and unfulfilled expectations. Success of LED efforts may be significantly influenced by these considerations. Environmental and health risks were influenced by several factors, including disease outbreaks like Covid-19, floods due to climate change and prolonged droughts. One or more of these occurrences may disrupt local economies and create challenges for LED initiatives. As such, to effectively tackle the problems associated with LED, a comprehensive approach that recognises the interwoven nature of these concerns must be implemented. Successful implementation of LED requires consideration of several social, political, environmental and institutional considerations in addition to economic concerns. The study results highlight the need for including stakeholders in a comprehensive strategy to tackle these difficulties. Local governments and stakeholders may build LED with strategic planning, inclusion and resilience by acknowledging and tackling various issues collectively.

The expeditious recovery process, which has the potential to address certain socio-economic challenges that the country is currently facing, is dependent on the essential component of strengthening resilience. This can be accomplished by adopting strategies for overcoming chaos, uncertainty and disruptions; strengthening urban and rural resilience; adapting to digital transformation; reskilling the workforce; and prioritising inclusivity and equity for social resilience. It becomes necessary for agile governance as a reaction to the rise of violence and flood catastrophes throughout the country, as well as the ramifications of the pandemic and potential future pandemics. When it comes to efficiently managing the challenges that are brought about by the unpredictable and complicated operational environment, it is vital to provide support to small businesses. The challenge of tackling the many complex difficulties that are encountered by small enterprises necessitates a collaborative strategy that encompasses government authorities, businesses, organised institutions and local communities necessary for promoting resilience.



Resilience is defined as the capacity of individuals, social groups and social-ecological systems to endure and adapt to changes and disruptions (Fitzgibbons & Mitchell, 2020). Resilience therefore plays a crucial role in promoting LED in both rural and urban settings. Emphasis in this discussion is on urban settings followed by a significant rural focus. Fitzgibbons and Mitchell (2019) and Meerow, Newell, and Stults (2016) provide definitions of urban resilience, highlighting the ability of urban systems to maintain desired functions and adapt to alterations. Resilience has gained traction in South Africa, but there is a need for a precise definition and conceptualisation of the term. The concept of resilience in urban settings emphasises the importance of urban governance and the integration of rights and entitlements. Local government plays a crucial role in enhancing both urban and rural resilience. Massey and Gunter (2020) argue that cities play a crucial role in enabling connection, collaboration and engagement, as well as providing essential services and infrastructure. They also highlight the advantages of cities in terms of economies of scale and agglomeration. These areas play a crucial role in driving economic expansion and have the capacity to significantly impact market growth, employment generation opportunities, and promotion of new economic endeavours, especially in the tertiary and service industries. They are characterised by high population density, provide conducive circumstances for social interaction, promoting innovation and encouraging joint generation of knowledge (Massey and Gunter, 2020). Increase in urban populations is evident in the substantial burden on water and sanitation, electricity and road networks exerted by rapid urbanisation. In some instances, it also impacts procedures and systems of governance. These challenges further manifest into food insecurity, homelessness, disease, crime, unemployment, pollution and extreme poverty levels. These challenges are influenced by historical factors and perpetuate poverty traps and rising inequality. Climate change and social unrest further complicate the situation; thus, Gunter and Massey (2020) emphasise the need to address the hardships faced by the urban poor to alleviate inequality and promote urban development.

In contrast, rural areas have low population densities, poor infrastructure (such as road infrastructure and bulk infrastructure and services), poverty, unemployment, and inequalities, and limited economic diversity and opportunities. These challenges hinder development and require resilience-boosting strategies. This study defines rural resilience as the ability of rural communities to integrate, adjust, recover from, and change in response to economic recessions, climate change, natural disasters, social and political dynamics, and external pressures and disturbances like the recent pandemic, looting, and flooding. Smith (2021) contends that, in contrast to prevailing beliefs, acts of looting and rioting were not limited solely to major urban centres, but also occurred in smaller localities within the KwaZulu-Natal region. The CEO of the agriculture business chamber (Agbiz) in a live interview asserted that while television coverage primarily focused on looting incidents in urban malls, the consequences of unrest in rural towns and farming communities have been severe. This was particularly true because there were often no



viable alternatives to the businesses that were destroyed (Smith, 2021). The concept of resilience is therefore especially important in rural areas of the district, where geographical, economic, and social factors often create vulnerabilities and severe resource constraints. Resilience in these communities requires a multifaceted approach that addresses economic, environmental, social and governance issues. Therefore, cities and rural areas are more vulnerable to economic and political disturbances and natural disasters. The COVID-19 pandemic exacerbated pre-existing problems in many cities and rural areas, including the need to adapt to virtual lifestyles and political instability. Enhancing resilience can greatly influence LED, particularly in both cities and rural areas dependent on a single industry. Promoting economic diversity and supporting emerging industries are key strategies along with scaling up resources in rural areas to address poor infrastructure. Enhancing the resilience of local communities to withstand and bounce back from various challenges, such as economic downturns, catastrophic events and public health crises may greatly influence a more inclusive LED approach.

Recommendations

Urban areas with dense populations, complex infrastructure systems and diverse economic activity require tailored solutions to improve their resilience. This phenomenon is especially pronounced in the district municipality. To improve urban resilience, the district and its mostly urban municipalities should prioritise integrated urban planning that includes housing, transport, environmentally sensitive areas, and commercial growth. Implementing this practice would promote sustainable development and increase the region's overall appeal. Supporting the growth of many sectors, such as technology, services, manufacturing, tourism, and creativity, may aid in the development of a robust and adaptable urban economy. To foster creative ecosystems, it is recommended that startups be supported, technological hubs established, and collaborations with research institutions and higher education institutions be encouraged. Investing in the development of strong and high-quality infrastructure, such as water and waste management systems, transportation networks and electricity grid upgrades is critical. The implementation of smart city technology is critical to efficient management of municipal services and resources. A critical focus is proactive measures to reduce social and economic disparities in urban areas. Promoting equitable and inclusive access to critical services and opportunities, as well as encouraging participation of various urban communities in LED processes will contribute to comprehensive urban development that meets the needs of all residents. Improving urban governance institutions should be a top priority in the district's urban areas to demonstrate greater responsiveness, transparency, and accountability. Promoting collaboration among government departments, businesses, universities, and the public is critical for improving overall urban development. An important focal point is developing skills and creating job opportunities, particularly in industries that contribute significantly to urban development. Sectors should establish



mechanisms to support and formalise the informal sector, recognising its importance to the urban economy. Increased emphasis should be placed on implementing effective waste management and pollution control measures, as well as developing comprehensive emergency response and disaster management policies tailored specifically to towns and cities. Crisis response infrastructure and services could then be easily accessible to respond more effectively.

Urban resilience through LED differs significantly from rural resilience due to the unique problems and opportunities in each setting. Implementing LED is critical for improving rural resilience and closing the developmental gap between urban and rural areas. On the other hand, recommendations for improving rural resilience using LED should focus on leveraging rural areas' distinct strengths while also addressing the specific challenges they face. The district municipality and its associated local municipalities should develop LED strategies that are tailored to the unique socioeconomic conditions and needs of rural communities. It necessitates a thorough understanding of the regional context, which includes the agricultural base, natural resources, diverse and rich indigenous knowledge and cultural heritage, governance systems and socioeconomic characteristics. Promoting economic diversification in rural communities is critical, in addition to the traditional emphasis on agriculture. This entails promoting the expansion of various industries, including agribusiness, agro-processing and related sectors. This aims to establish extensive value chains in rural areas, involving everything from production to commercialisation, increasing local value addition while maintaining greater economic benefits for the community. The district should prioritise the development of basic infrastructure in rural areas, such as road networks, electricity supply, access to clean water and sewage treatment facilities. This strategy would raise the standard of living and promote economic development in disadvantaged rural areas. Allocating resources to develop digital infrastructure should be considered to improve real-time connectivity, increase information access and create an environment conducive to e-commerce and digital business. The district should prioritise vocational training and educational programmes tailored to rural economic activities to ensure that the local workforce has the necessary skills to actively participate in and support more inclusive LED initiatives whilst intensifying advocacy programmes. Local policy must be consistent with promoting rural LED. Furthermore, by providing incentives and simplifying administrative processes for rural enterprises to participate in rural development, LED would promote the local institutions required to support this process. These institutions include municipalities, co-operatives, the private sector, and community-based organisations. The district should look into forming and promoting Public-Private Partnerships (PPPs) to attract investment, specialised expertise and increased resources for rural development initiatives. This would ensure that both the private and public sector effectively adapt to changing situations and cultivate collaborative avenues for improving organisational performance in order to overcome the new normal challenges.



Conclusion

Various underlying challenges in the district impede the development and implementation of LED initiatives. These challenges are ongoing institutional, technical and economic issues, capacity and resource aspects, socioeconomic constraints, environmental and health concerns, and sociopolitical factors. These challenges are manifested in spatial inequalities and economic disparities, limited access to finance and financial management of municipal funding, fragmented responsibilities, limited capacities and skills and a complex regulatory environment affecting business facilitation as seen in the district and throughout the country. The primary focus of this paper is on the challenges that local government faces in implementing resilience strategies to adjust to the 'new' normal. The study aimed to examine the challenges confronted by stakeholders in successfully implementing LED in uMgungundlovu District Municipality. It investigated the major challenges caused by the pandemic, flooding, and civic unrest, examining their effects on several aspects of society, the economy and local government. This paper recommends that, in order to effectively address these aspects, the government and other stakeholders must collaborate and prioritise transparency, accountability and good governance practices in LED and intensify commitment as sustainable mechanisms including mainstreaming capacitation at the local sphere. Further mixed methods research is encouraged to expand the knowledge base and address some of the deep issues that emerged in the qualitative study to encourage more tangible solutions surrounding economic development in a local context. A more longitudinal study could address the urban and rural challenges that face households, communities, local businesses and local government's preparedness to execute LED initiatives more successfully. Local Economic Development has the potential to be an effective tool for increasing rural resilience, closing the urban-rural divide, and preventing rural regions from being marginalised in the larger context of advancing economic growth and development. How people, businesses and governments have responded to the 'new' normal challenges is important towards building resilience in both urban and rural sectors, and in overcoming economic disruptions amidst driving sustained economic growth in local communities to enable them to survive and thrive.

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