Municipal Infrastructure Investment Push and Pull Factors

Selected South African Cases

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ABSTRACT

According to the World Bank Group's 2020 Ease of Doing Business Index, South Africa ranks 84th out of 190 countries with a score of 67 points. Relative positive factors as far as business attractiveness is concerned include aspects related to starting a business (81 points) and the protection of investors (80 points). A key indicator of the country's economic status is municipalities' performance. Municipalities are at the centre of economic activity and should establish a conducive environment for investment in infrastructure development. This article outlines the findings of a survey undertaken with the support of the South African Local Government Association (SALGA) at selected municipalities in South Africa (SA) to uncover the business push-and-pull factors associated with municipal infrastructure investment. The aim of the study was to identify municipalities that have been affected by disinvestment and to document their weaknesses. Furthermore, the study set out to identify municipalities that have been able to attract investors and record their winning strategies. A situational desktop analysis by means of a SWOT analysis was undertaken. Results were then triangulated with findings of semi-structured interviews and a questionnaire distributed to seven target groups consisting of representatives of sampled municipalities, stakeholders (i.e. district and provincial investment development agencies) and organised business. Results of the thematic analysis of findings reveal that systemic challenges such as poor service delivery levels, corruption, inefficiencies, failing governance structures, the absence of institutional mechanisms to fast-track investor applications, and the lack of dedicated business management advisory units all act as investment push factors. The practical value of the study is promoted by recommendations for municipal business investment praxis.

INTRODUCTION

Municipal infrastructure investment has a significant influence on broad-based local economic development (LED). The close interface between infrastructure development and economic prosperity is mainly driven by the significance of sound infrastructure for economic sectors such as agriculture, energy, transport and manufacturing. Furthermore, infrastructure investment plays a key role in achieving greater productivity and competitiveness, to reduce spatial inequality, and to support job creation.

The SA economy exhibits dualism, with marked racial and spatial inequalities in the distribution of income. This situation suggests the probable consequences of disinvestment for the economy, and particularly for the growth rate of income and employment, as seen in municipalities. Municipalities in SA have a constitutional mandate and statutory obligations to promote LED.

The purpose of this article is to report on findings of a survey conducted within selected SA municipalities to identify push and pull factors for individual municipalities in their efforts to attract and retain business investments. The methodology used in this survey is based on secondary data obtained through desktop surveys and document analyses, as well as primary data obtained through semi-structured interviews and a questionnaire to seven target groups. The selected municipalities were sampled based on the successes and weaknesses pertaining to infrastructure investment. The comparative analysis between municipalities enabled the identification of investment best practice and winning strategies. By identifying push and pull factors relating to investment attraction, municipalities can share lessons learned to address weaknesses and exploit potential business investment opportunities. Finally, measures are proposed and related recommendations are made to enhance infrastructure investment prospects in the local government sector.

MUNICIPAL INFRASTRUCTURE DEVELOPMENT: A LITERATURE REVIEW

Several studies have revealed that the quality of infrastructure (i.e. availability and quality of roads and ports, telecommunications, power, water supply, electricity, and transportation) plays a key role in attracting investment both in the short and longer term (Abamu 2019; Bigen Group 2022; Canare 2018). These studies show that 1% growth in infrastructure is associated with 1% growth in per capita gross domestic product (GDP). Research has also illustrated that especially low-income countries significantly benefit from infrastructure development and maintenance by contributing on average 6.5% to GDP (Bricenco-Garmendia and Estache 2004; Gurara, Klyuev, Mwase and Presbitero 2018; Kirchberger 2020). A further significant factor is that countries with sufficient and well-maintained infrastructure generally receive higher foreign investment. As a way of contributing towards public investment, municipalities in SA currently contribute 27.7% of capital expenditure relating to residential and non-residential buildings, roads, bridges, airports, canals, pipelines and tunnels, port facilities, sewerage and sanitation, community and social works, refuse sites, water and other new construction works (StatsSA 2021).

According to Jedwab, Christiaensen and Gindelsky (2014), a country's statutory and regulatory framework generally plays a central role in the ability to attract and retain foreign investment. National policies usually influence investment-related decisions, since it significantly influences business operations once they have established a footprint in a country. This includes regulations concerning registration, labour, taxation and competition. The statutory and regulatory framework may also have unintended consequences for businesses by unnecessarily increasing the risk and cost of doing business. Vakulich (2014:31) summarises the significance of policies and regulations as follows: "Reviewing and streamlining inefficient and burdensome policies, snipping red tape and fostering competition can encourage new international investment and enhance the economic performance of existing players".

Revenue deficits and rising government expenditure threaten the SA government's ability to develop and maintain public infrastructure. The country's National Development Plan (NDP): Vision 2030 targets capital investment of 30% of GDP. To realise this goal, private sector investment in infrastructure would need to grow from 12.5% of GDP in 2020 to 20% in 2030 (National Treasury 2020). As such, it has become vital for municipalities to attract foreign and domestic investment. This has led to increased competition to attract the inflow of investment, forcing national and local governments to adopt marketing practices for investment promotion (Abamu 2019). It is acknowledged that especially foreign direct investment is crucial for municipal infrastructure development and economic prosperity (Aitken and Harrison 1999; Harding and Javorcik 2011).

When assessing the ease of doing business at municipal level, investors not only consider business-related factors prevailing at municipalities. Broad-based, systemic factors are also considered given the inherent link between national and local governance (Asongu and Odhiambo 2019; Canare 2018). This interface is emphasised because credit-rating agencies consider business risk factors in individual municipalities (i.e. sub-sovereign risk) when determining national risks (Moody's Investors Services 2020; Organisation for Economic Co-operation and Development (OECD) 2021).

SA's economic freedom score is 65.7 (categorised as "mostly unfree"), making it the 112th freest in the 2022 Index of Economic Freedom (The Heritage Foundation 2022). South Africa is ranked 17th among 47 countries in the sub-Saharan Africa region. The country's overall score is above the regional average but below the world average. Especially recent attempts made by government to restrict foreign ownership of land and the relative high potential for expropriation of property seriously influence investment decisions (The Heritage Foundation 2022). Observers such as Awan, Ahmad, Shadid and Hassan (2014), Égert and Wanner (2016), Gal and Hijzen (2016), and McGowan, Andrews and Millot (2017) pinpoint the following additional factors affecting the SA investment arena:

- The high levels of crime: SA is ranked 131st out of 140 countries in terms of the risks and costs associated with high incidences of crime and violence (World Economic Forum (WEF) 2019).
- Slow progress as far as land reform programmes and private ownership are concerned, leading to business investment uncertainties.
- An inadequate skilled labour force.
- Poor municipal service delivery and governance performance.
- A restrictive statutory and regulatory framework acting as barriers to business entry.
- Poor municipal infrastructure and limited access to clean water and sanitation services.

To overcome these challenges, the SA government has established the Budget Facility for Infrastructure Task Team to improve investment prioritisation, planning and financing. The task team was allocated ZAR 625 million in 2019 for its operations. Government is also strengthening municipal infrastructure development by encouraging private sector investment. The aim is to mobilise an additional ZAR 20 billion per annum for municipal infrastructure development and maintenance (National Treasury 2019).

Another important step taken by government to promote infrastructure development was the establishment of the Presidential Infrastructure Coordinating Commission in 2014. This Commission serves as a coordinating forum to enhance infrastructure development within all spheres of government. This was followed by the Department of Public Works and Infrastructure's National Infrastructure Plan 2050 that was published in 2021. A further positive development is the Ease of Doing Business Bill that was introduced in Parliament in February 2021. The primary objective of the Bill, which is still under deliberation by the relevant portfolio committees, is to reduce red tape for businesses (Ease of Doing Business Bill 2021:5).

The introduction of the Bill can be regarded as acknowledgement of, and appreciation for, business concerns pertaining to municipal investment. The Bill should also be interpreted against the backdrop of SA's response to the United Nations' New Urban Agenda (UN Habitat 2020). Notably, the SA Agenda makes provision for municipal service excellence and well-governed cities.

RESEARCH METHODOLOGY

The aims of this study were to identify municipalities that have been able to attract investment and document their investment winning strategies; to assess and document the investment attraction pull and push factors in municipalities; and to propose practical recommendations on municipal infrastructure investment and business retention practices based on findings.

The research methodology followed a qualitative design towards conducting a situational desktop analysis of disinvestment and investor attraction factors in local government. The same approach was used to triangulate the desktop analysis results with findings of semi-structured interviews and a self-administered questionnaire. The questions posed in the interview schedule and questionnaire were similar. The survey focused on selected municipalities and relevant stakeholders as sources for primary data collection. Table 1 outlines the respective target groups, data collection method and total number of purposively sampled participants and respondents.

Table 1: Data collected: Target groups

Target group	Data collection method	Sample size (n=)
Target group 1: Organised business	Desktop analysis	4
Target Group 2: Municipal LED Officials and Councillors	SWOT analysis and semi-structured interviews	25
Target group 3: District and Provincial Investment Development Agencies	Questionnaire	7
Target group 4: National and Provincial Departments	Questionnaire	8
Target group 5: South African Local Government Association (SALGA) representatives	Semi-structured interviews	7
Target group 6: Municipal Entities and Agencies	SWOT analysis and questionnaire	6
Target group 7: Local Government Experts	Semi-structured interviews (Delphi)	9
Total		**66**

As far as organised business is concerned, companies listed on the Johannesburg Stock Exchange (JSE) were sampled based on recent media reports of decisions to relocate (disinvest) in certain municipalities. Underlying reasons for these decisions were identified and analysed. The sampled businesses were:

- Astral Foods Limited Poultry Processing Plant;
- Clover SA;
- Famous Brands Limited; and
- Volkswagen Group South Africa.

The situational desktop analysis was guided by a specific set of questions, including the following:

- Which municipalities were affected by disinvestments within SA?
- What are the results of their SWOT analyses (i.e. strengths and weaknesses)?
- Which municipalities were able to attract investment?
- What are the strengths and weaknesses of selected individual municipalities in their efforts to attract and retain business investment?
- What is the investment attraction pull and push factors in selected municipalities?
- What are the distinguishing factors (push and pull) that made investment initiatives succeed?
- What are the underlying factors that caused initiatives to fail?

To select a sample of municipalities for evaluation, the focus was on those with specific and unique characteristics which could prove to be beneficial from an investment perspective, such as mining, tourism, proximity to international and national transport hubs, agricultural development as well as the development of coastal and marine areas. SA has 257 local, district and metropolitan municipalities. For this study the following 11 municipalities were purposively sampled:

- Sol Plaatje Local Municipality;
- Polokwane Local Municipality;
- Rustenburg Local Municipality;
- Mbombela Local municipality;
- Ekurhuleni Metropolitan Municipality;
- uMhlathuze Local Municipality;
- Sarah Baartman District Municipality;
- Kouga Local Municipality;
- Fetagomo Tubatse Local Municipality;
- Newcastle Local Municipality; and
- Midvaal Local Municipality.

After completing the data collection phase, the results of the respective target groups were collated and analysed.

RESULTS

This section outlines the responses obtained from the respective target groups. Table 2 represents factors cited for disinvestment, as perceived by organised business (target group 1).

Target group 1: Organised business

Table 2: Sampled cases of organised business

Cases	Location	Factors cited for disinvestment
Astral Foods Limited (poultry production)	Lekwa Local Municipality, Mpumalanga Province	▪ Disruptions in the supply chain caused by disintegrating municipal infrastructure; ▪ Irregular electricity supply; and ▪ Limited access to water.
Clover Industries Limited (consumer goods and products)	Ditsobotla Local Municipality, North-West Province	▪ Regular power cuts; ▪ Poor water services; and ▪ Poorly maintained municipal infrastructure (especially roads).
Famous Brands Limited (food services franchisor)	City of Johannesburg, Gauteng Province	▪ Insufficient water provisioning; ▪ Unsteady power streaming; ▪ Poor political and administrative governance of the municipality; and ▪ Poor maintenance of municipal infrastructure such as roads.
Volkswagen Group South Africa (VWSA) (vehicle-manufacturing plant)	Nelson Mandela Bay Metropolitan Municipality, Eastern Cape Province	▪ Unstable power supply, especially so-called "power spikes", which damage equipment.

It is evident that reasons cited for disinvestment primarily concern issues of poor municipal service delivery and failing infrastructure.

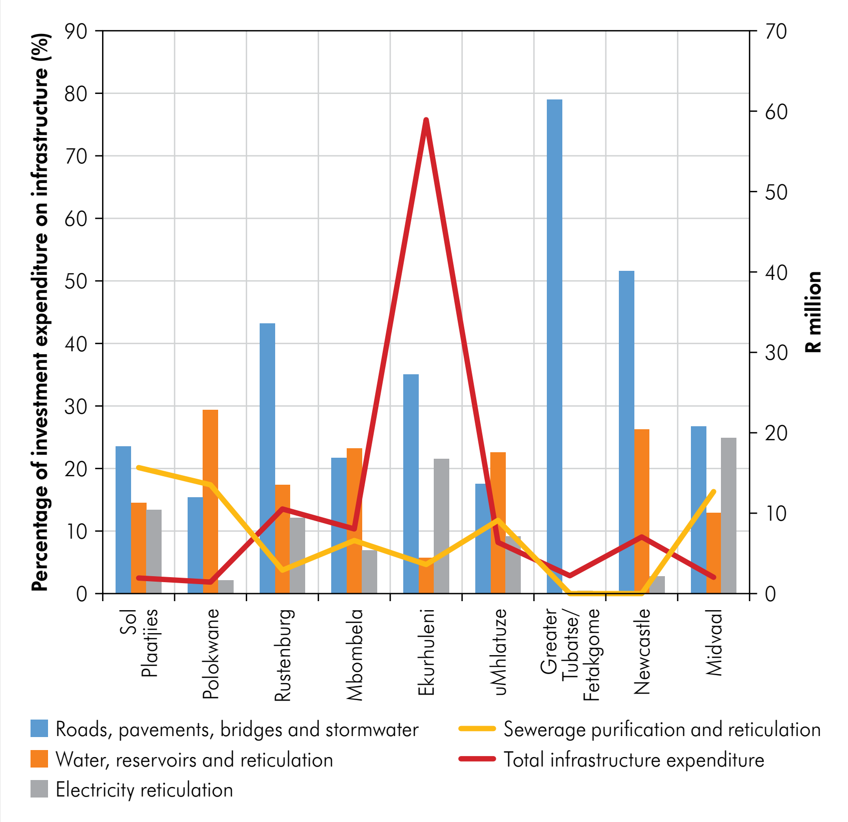
Target Groups 2 to 7

For analysis purposes, responses obtained from target groups 2 to 7 were combined. Results below are reported in the three categories according to the main aims of the study.

SWOT analysis of sampled municipalities

Participants were requested to complete a SWOT analysis template pertaining to the investment attractiveness of the sampled municipalities. In addition to

Figure 1: Percentage of investment expenditure on infrastructure

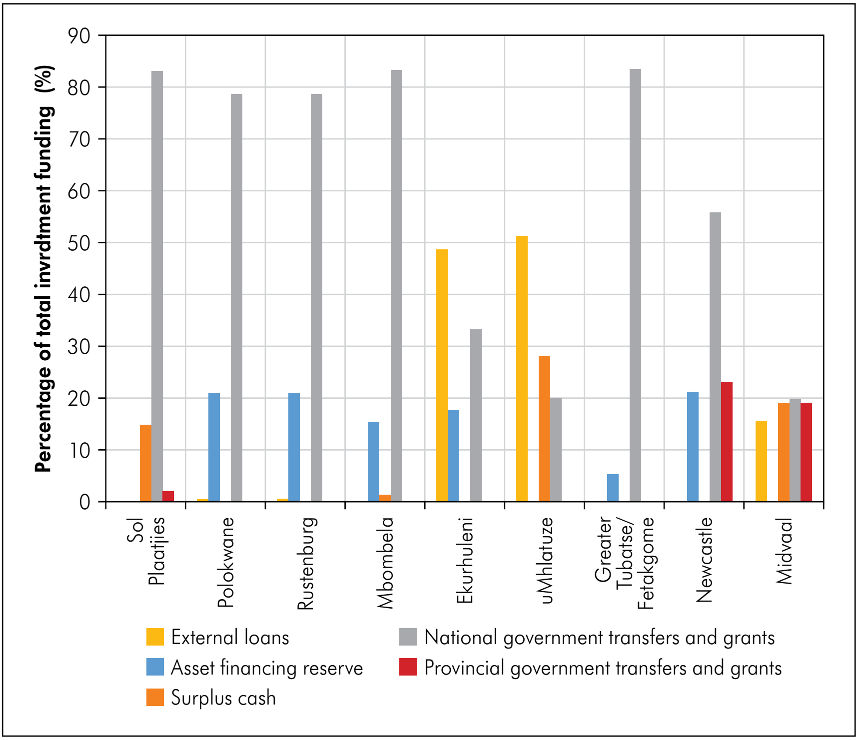


Source: (Analyses based on National Treasury municipal finance data 2021)

the SWOT analysis, a comparative analysis was done based on dependence on revenue sources, expenditure priorities, the stance of infrastructure and funding thereof, ageing of debt (outstanding payments by debtors) and the profile of debtors. Given the difference in size of the municipalities involved and for comparison purposes, the focus is on sharing different components rather than the absolute amounts involved to compare the proverbial apples with apples.

Expenditure on infrastructure and its maintenance is of great significance for investment decisions. The infrastructure register of a municipality is an indication of the monetary value of infrastructure spending and its funding. Also important is the nature of such infrastructural expenditures which is an indication of the sustainability of commercial activities in the area. Figure 1 shows the percentage of investment expenditure on infrastructure for the sampled municipalities.

Figure 2: Investment funding (Percentage of total)



Source: (Analyses based on National Treasury municipal finance data 2021)

From an investment perspective, the comparative share of infrastructure items is of vital importance to investors. This could point to lack of infrastructure or sub-standard, dilapidated existing structures. In this regard, the proportional share of Greater Fetakgomo in terms of Roads, Bridges and Storm Water is highest (close to 60%), followed by Newcastle with just more than 40%. Next is expenditure on Water Reservoirs and Reticulation, in which case the share of Polokwane is highest, followed by Newcastle. The only municipalities where the share of investment expenditure in electricity structures exceeds the 20% level are Ekurhuleni, followed by Midvaal. Given the energy crisis which SA experiences and the dilapidated condition of relevant infrastructure, the relatively low share by other municipalities might be a concern to investors.

Given the importance of sustainable investment levels, the sources from which such spending is obtained is of concern to potential investors. Because of the lack of data, the Sarah Baartman and Kouga municipalities have been excluded from this analysis. Figure 2 outlines the importance of Government Transfers for funding investment projects (more than 80% in the case of Sol Plaatje, Polokwane, Rustenburg, Mbombela and Greater Tubatse/Fetakgomo).

Interestingly, the relevant shares of Newcastle, Ekurhuleni and especially Midvaal, are much lower. Midvaal reflects a relatively even share between Surplus Cash, Government Transfers and to a lesser extent External Loans. Ekurhuleni and uMhlathuze also portray a relatively high share of external loans, but with uMhlathuze funding a proportionally larger share from Surplus Cash. The proportional share of Asset Funding Reserves varies between 15 and 20%, which could be an indication of the soundness of financial management and investment interest. The lack of such funding in the case of Sol Plaatje, uMhlathuze and Midvaal is noticeable.

Investment pull and push factors

Participants and respondents were requested to list at least five investment pull and push factors. Their responses, as outlined in Table 3, are listed in descending order based on frequency of responses to some degree. It is evident that far more push factors are prevalent, which distorted the analysis of the status quo. What became clear, is that all municipalities face certain systemic challenges, while certain factors are municipality-specific. The responses were subsequently categorised into generic, systemic factors and more business investment-specific factors.

Table 3: Municipal investment pull and push factors

Pull factors	Frequency (%)	Push factors	Frequency (%)
Generic, systemic factors			
A positive image of the municipality facilitated by good marketing strategies and service delivery excellence	75.8	Failing municipal governance structures resulting in poor service delivery	85.4
Maintenance of existing municipal infrastructure (especially roads)	72.5	The lack of ongoing maintenance of infrastructure results in the municipality having to spend additional funds on old infrastructure networks such as water and sanitation	75.8
A clear business investment vision driven by economic development strategies, programmes and projects	61.2	Limited access to funding for infrastructure development (eg, electricity and water supply infrastructure) due to the reduction in infrastructure grants from national and provincial government	67.7

Pull factors	Frequency (%)	Push factors	Frequency (%)
Integrated spatial planning to make provision for business development zones (land, property, infrastructure)	59.6	Unplanned informal settlements and urban sprawl place pressure on natural resources and leads to urban decay, infrastructure backlogs and service delivery challenges	58.0
Political will and administrative leadership to champion LED	56.4	Restrictive statutory and regulatory frameworks, as well as the duration of environmental regulation processes. Some municipal by-laws and administrative red tape hinder the ease of doing business and investment in municipalities	45.1
Adequate mechanisms to fast-track investor applications	45.1	Over-reliance on single economic activities such as mining exposing municipalities to volatility and long-term economic downturns	37.0
Extension of business support commodities, such as internet bandwidth and Wi-Fi hotspots	37.0	Industrial sectors are stagnant, with very few new industrial developments; private investment patterns remain isolated in certain economic nodes, resulting in a general decline in investment	29.0
Inclusion of local stakeholders in local supply chain deals and transactions that improves sustainability, legitimacy and business cooperation	29.0	Slow finalisation of land reform processes and pending land claims	25.8
		Unemployment, poverty and inequality fuelled by the concentration of employment opportunities in urban areas	24.1
		Lack of a service culture and ethos exacerbated by corruption and a lack of financial accountability	19.3
		Poorly qualified and inexperienced officials to drive the economic agenda and investment programme of the municipality	14.5

Pull factors	Frequency (%)	Push factors	Frequency (%)
Business investment specific factors			
Clear roles and responsibilities within the municipality that promote responsiveness and accountability, supported by performance and consequence management	61.2	Lack of a dedicated business management advisory unit	56.4
Provision in the budget and integrated development plans for the allocation of resources for marketing leading to business investment	56.4	Inability to respond to business interests and concerns	29.0
Municipal support structures for entrepreneurs and local small- and micro- enterprises	45.1	Lack of skilled and dedicated municipal officials	29.0
		Poor political oversight and limited monitoring and evaluation of business investment initiatives	24.1
		Run-down tourist attractions and assets, such as battlefield sites and sports and recreational infrastructure	14.5
		Inadequate access to accurate and relevant information pertaining to LED	9.6
		Inconsistency in addressing business issues within the municipality	9.6
		Virtual breakdown of the public transport system, including road and railway networks	6.4

Municipal investment winning strategies

Participants and respondents confirmed that an attractive investment environment is essential for municipalities. The following is a summary (in no particular order) of the most prominent winning strategies identified by the respective target groups to attract investment.

- *Strategy 1*: The majority (72.2%) of participants and respondents emphasised the need to focus on unique economic nodes, hubs and corridors for growth, urban renewal and city regeneration projects. For example, Rustenburg Local Municipality focuses on Special Economic Zones (SEZ) and Logistics Hubs to include other industrial activities such as manufacturing and the establishment of a green economy park. Municipal spatial plans and human settlement plans should make provision for business development. In particular, spatial plans should make provision for industrial development such as zoned industrial sites.

- *Strategy 2*: Some 58% of participants highlighted that winning municipalities should follow an integrated approach to LED by incorporating business support and development, entrepreneurship, job creation, skills development and sustainable growth. For example, Polokwane City's Department of Economic Development and Tourism has designed a comprehensive strategy to combine the strengths of the municipality, local business and civil society organisations so that they can work together to improve the economy.
- *Strategy 3*: Municipalities must be financially and institutionally viable to promote economic development. Municipalities must be an attractive destination for investment and must leverage available economic opportunities (45.1% response rate). Newcastle Local Municipality, for example, developed a growth and development strategy titled "Vision 2035" to become an inclusive city. The strategy places particular emphasis on the establishment of public-private partnerships.
- *Strategy 4*: Overcome the over-reliance on a particular economic sector (*eg*. mining) for growth. This creates complacency that may negatively impact future economic prospects of cities. Participants representing LED officials (*n*=25) and respondents from district and provincial investment development agencies (*n*=7) emphasised that municipalities should diversify their economic sectors by incorporating and developing areas such as tourism, agriculture, manufacturing and skills development for targeted growth. Municipalities such as Sarah Baartman and Greater Fetakgomo experience significant challenges, given their almost full dependence on government transfers. As such, self-sufficiency and financial sustainability play a key role in attracting investment. Three participants from target group 2 highlighted the potential of the domestic and foreign tourism market. Municipalities that promote and market ecotourism, historical sites, and cultural and heritage sites create a positive image that helps attract investment.
- *Strategy 5*: A respondent from a municipal entity and a participant from the local government expert group emphasised that a well-developed local skills base is essential to attract investment. It also promotes skilled migration to municipalities, which further establishes a local skills-based labour market.

DISCUSSION

Municipalities encounter numerous systemic and institutional challenges. As a result, they are unable to capitalise on possible investment opportunities. It is evident that broad-based national concerns such as the high levels of crime and a relatively restrictive legal framework limit funding, while a volatile political environment often leads to negative business perceptions of the country. On an institutional level, poor municipal governance, limited cooperation and alignment between municipal departments, a low skills base, as well as inadequate spatial planning often leads to poor service delivery. The cases analysed (JSE-listed companies) highlighted poor service delivery as a key reason for disinvestment and relocation. Poor service delivery could be seen as the cause of poor municipal infrastructure and inadequate maintenance of existing infrastructure.

It is evident that the financial viability of municipalities significantly influences investment decisions. Low investment further leads to financial unsustainability by negatively affecting municipalities' revenue base and their ability to attract new and retain existing businesses.

It is further evident that LED, the ease of doing business and a positive investment climate should be underpinned by specific legislative framework that guides how municipal infrastructure investment should be conducted. Municipal by-laws and regulations can influence investment location by raising the cost of doing business. The domestic policy framework plays a significant role in municipalities' ability to attract and retain business investment. Within this context, it is essential that current policies and regulations be reviewed and adjusted to cut administrative red tape associated with business operations.

In most municipalities, investment expenditure is mostly reserved for roads, bridges and storm water projects, followed by water reservoirs and related spending. From an investment perspective, a concern may be the relatively low share of expenditure reserved for electricity reticulation infrastructure. Although the electricity generation capacity of most municipalities is limited, the reticulation thereof is of interest to commercial longevity.

From an investment point of view, the more stability is evident in a municipality's finances, the more likely it is that investment will follow. Too high levels of dependency on government funding (grants and transfers) because of a poor local revenue base act as push factors, which, in the longer term, cause severe hardship because of lack of economic activity and subsequent job creation. An analysis of the municipal state of finance in an area could be of great importance to locational decisions by investors.

Recommendations for attracting municipal infrastructure investment

Emanating from the data sets (i.e. desktop analysis, SWOT analysis, interviews and a questionnaire), the following recommendations are made to attract infrastructure investment.

The results of the survey confirm that it is imperative to create a conducive investment climate. This should be done by streamlining and ensuring more efficient internal processes that support and address the needs, concerns and aspirations of businesses. Such processes relate to issues such as tender procedures, the issuing of business permits, payment of rates and taxes, the issuing of construction permits, as well as a stable electricity supply. A dedicated business advisory and support unit should provide a one-stop, specialised turn-key service to new and existing businesses. Such units should also serve as incubation hubs for enterprise development and employment placement programmes in partnership with local businesses.

The SWOT analysis illustrated the need to review and streamline unsuitable and arduous policies, by-laws, and regulations to fast-track business development and to encourage new investment. It is recommended that municipalities continuously conduct a situational analysis (*eg*. SWOT analysis) of their business environment and design suitable investment and marketing strategies to attract investment and promote local economic activities, such as tourism, underpinned by unique local commodities and attractions. It is also essential that local business risks be mitigated. Certainty about land claims, property rights and longer-term business prospects should be addressed. It is essential that municipalities earmark specific areas (*eg*. special economic zones) for business development in sectors such as manufacturing, agriculture, energy and textile industries.

Municipalities should lobby existing industries, such as mining houses, to jointly fund and support catalytic investment projects in domains such as tourism, agriculture and manufacturing to create alternative economic activities for sustainable economic development. It is also evident that municipalities that succeed in investment usually established partnerships with the private sector, non-profit organisations and civil society organisations.

It is imperative that municipalities address issues related to good corporate governance and focus on aspects such as a service delivery ethos, the prevalence of corruption, poor service delivery, institutional performance, and the appointment of qualified and experienced staff. Poor corporate governance, coupled with political commitment and leadership, can be regarded as key in improving municipal service delivery.

CONCLUSION

This article provided insight into the push and pull factors applicable to attracting and retaining business investment within SA municipalities. The results show that a positive image of the municipality facilitated by good marketing strategies and service delivery excellence is the most significant (75.8%) pull factor, while failing municipal governance structures (85.4%) and the lack of infrastructure maintenance (75.8%) are the most significant push factors. Fortunately, there are already signs of some successes or so-called "pockets of excellence" that can be used as examples and from which valuable lessons can be learnt. This best practice should also be shared between municipalities in especially developing countries.

Going forward, it is essential that both generic, systemic investment concerns, as well as municipal-specific issues, be analysed and addressed to promote investor confidence. By continuously analysing the push and pull factors influencing investment decisions, municipalities can identify appropriate performance indicators and set targets to track the improvement of municipalities in increasing their pull factor levels. The push factors should be addressed to attract investment and stimulate growth in the local economy. These factors can also be used to populate a Municipal Investment Competitive Index by using evidence-based investment indicators.

The local government sphere in SA is designated to play an essential role in rebuilding local economies as a basis for a more democratic, integrated, and prosperous society. This role can only be fulfilled successfully if municipalities succeed in attracting sufficient business investment.

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