

CHAPTER 8 SUMMARY AND CONCLUSION

8.1 INTRODUCTION

The aim of the study reported was to investigate the economic sustainability of Kwakwatsi. The economic sustainability of the area was related to the depth of poverty and unemployment. In this way, the sustainability of the township was measured by the trends and the depth of poverty and unemployment levels. The rationale was that in a sustainable community, poverty and unemployment are not widespread. The study aimed at highlighting the fact that poverty is endemic and increasing in Kwakwatsi, and that there is an urgent need to intervene by creating projects that can help in reducing unemployment, thereby alleviating poverty.

The understanding of economic development, poverty and unemployment was presented as the theoretical foundation to the study. The different, generally accepted methodologies for measuring poverty and unemployment were applied to a data set collected in 2009 in Kwakwatsi. This chapter will be the summary and conclusion of the study. Recommendations aimed at reducing the problem of unemployment and poverty will be made. These recommendations are made in the context of them being able to assist in the improvement of the standard of living of the residents of Kwakwatsi.

8.2 THE THEORETICAL FOUNDATION OF THE STUDY

South Africa's successful political transition raised hopes for an economic transition characterised by broadly shared growth and greater access of the majority of the population to economic opportunities, hence jobs. Economic policies have been geared towards ensuring macro-economic stability (with considerable success) and increased access to basic social services, especially education and health. A number of initiatives have also aimed to promote a wider spread of economic benefits across the population. However, the outcomes in terms of growth of per capita income and employment have been below expectations.

Despite 15 years of political transformation, a large portion of the population still lives in inhumane and poverty stricken conditions. Unemployment has become one of the greatest challenges facing the country. The perseverance of poverty and unemployment in South Africa, despite substantial interracial economic redistribution in the past two decades, necessitates a continual investigation into its intricacies and associated social ills. In this context, the importance of research in influencing policies cannot be ignored. The analysis of unemployment, poverty and its social ills in a community can provide valuable tools for identifying opportunities for local economic development. The current problems could be alleviated by explicit pro-poor developmental programmes.

A theoretical analysis of economic development, poverty and unemployment formed the basis for the empirical analysis. There are many theories explaining economic development, spanning the different historical periods of humanity. The term economic development could mean different things to different people; its understanding can even differ among countries. Economic development has traditionally meant the capacity of a national economy whose initial condition has been more or less static for a long time to generate and sustain an annual increase in its gross national product. Economic development can also be defined as the sustainable increase in living standards. It implies increased per capita income, better education and health as well as environmental protection.

There is a continual evolving pattern of insights and understandings that together provide the basis for examining the possibilities of contemporary development of the diverse nations. The linear stages model emphasises the role that saving and investment plays in promoting sustainable long-run growth. The Lewis two-sector model of structural change underlines the importance of attempting to analyse the many linkages between traditional agriculture and modern industry, and the empirical research of Chenery and his associates attempts to document precisely how economies undergo structural change while identifying the numeric values of key economic parameters involved in that process.

The proponents of international-dependence theories argue that the importance of the structure and workings of the world economy and the many ways in which decisions made in the developed world can affect the lives of millions of people in the developing world. Each of these approaches to economic development provides some basis for understanding economic thought and decision making relating to economic development.

The theoretical understanding of the concept of LED in a South African context was also undertaken in the study. LED is an ongoing process and encompasses all stakeholders in a local community involved in a number of different initiatives aimed at addressing a variety of socio-economic needs in that community.

The evolution of LED policy in the post-1994 South Africa is closely associated with the transition to developmental local government. In South Africa, LED is addressed through the local government or municipality. Municipalities must be the local coordinating agents for the implementation of the local economic development initiatives, in close partnership with the private sector and community interests. The policy documents relating to LED in South Africa make it clear that local government is not responsible for creating jobs. Instead, it will be responsible for ensuring that overall economic and social conditions of the locality are conducive to the creation of employment opportunities. Local economic development in South Africa is concerned with creating robust and inclusive local economies that exploit local opportunities, address local needs and contribute to national development objectives such as economic growth and poverty eradication.

Challenges with LED in South Africa were identified, with some being that most cities do not have adequate economic growth strategies in place and therefore are unable to tackle poverty; cities cannot develop local economic strategies in isolation from national economic policy, manufacturing is in long-term decline, unemployment and low skills levels are major barriers, and that cities make a key contribution to social and economic life in the country but they are also the greatest concentrations of poverty.

For LED to be successful there should be a coherent planning process involving all stakeholders within the local area. The process takes place over time, involving all sections of the community and covers all matters that affect quality of life in a local area, particularly those that need most support. The planning process can be seen to include: organizing the effort, assessing the local economy, compiling the actual strategy, implementation, and the strategy review process. There are different sources for funding for LED purpose. LED can be funded from revenue generated locally through the levying of rates and taxes or externally through governmental and non-governmental agencies with a mandate to assist in the development of local municipalities.

Poverty and unemployment could be taken as indicators of development. Poverty is a multifaceted problem, and is as old as humanity itself. Within its understanding is a series of contested definitions and complex arguments that overlap and at times contradict each other. It is differently seen as a big phenomenon or a small phenomenon, as a growing issue or a declining issue, and as an individual problem or a social problem. The vast majority of the existing analyses of the subject are concerned with identifying the best criterion or criteria to use in defining the concept of poverty and with the difficulties in its measurement.

At a theoretical level it has been shown that different theoretical interpretations of poverty can underpin each approach used in providing an understanding of poverty. All of these approaches have their weaknesses, but go a long way in providing an understanding of what living in poverty entails. Each of the different approaches to poverty requires a set of methodological assumptions, which are often not obvious. Because of the major differences in definitions, the different approaches could have different implications with regards to policy.

An important issue is whether the different approaches identify broadly the same people as poor, because if they do, the theoretical differences may be unimportant in policy or targeting terms.

Distinctions between what poverty means to different researchers may be largely irrelevant to those who live with the limitations that inadequate incomes impose, and debates about poverty should not obscure what it means to those who experience it. Poverty is seen in all its manifestations as a denial of opportunities and choices most basic to human development to lead long, healthy and creative lives, and to enjoy a decent standard of living. However, there is no single, universally accepted definition of poverty.

People living in and out of poverty may all hold conflicting views on the definition, cause, effect and solution to the problem of poverty. The debate on these concepts and on poverty is worth pursuing, because of the considerable costs of poverty to those who have to endure it and its impact on the rest of society. There are various ways to measure poverty. The main measures of poverty, which are used in this study, are the household subsistence level (HSL), the headcount index, poverty gap ratio and the dependency ratio. For the purpose of this study, poverty is defined as the inability to attain a minimal standard of living.

The HSL was used as a measure of poverty in this study. The HSL is defined as an estimate of the theoretical income needed by an individual household to maintain a defined minimum level of health and decency in the short term. It is based on the lowest retail basket of necessities of adequate quality. This basket includes food, clothing, fuel and lighting, and washing and cleaning material for each individual in a household and for the whole household, and the cost of rent and transport.

The HSL makes it easy to calculate the subsistence for individual households. A breakdown of the subsistence level for different age groups of different sexes is given, as well as certain costs for a household as a whole. By calculating the HSL for an individual household, and comparing it with the combined income of the different members of the same household, the degree of poverty can be measured at micro or household level.

The poverty gap was used to measure an individual household's income shortfall. This means that each household had an individually calculated poverty gap. The mean of all households' poverty gaps can be taken as the poverty gap for the population

concerned. The mean of all individual poverty gap indexes will be the poverty gap index for the population concerned. The headcount index for Kwakwatsi is the mean of all individual household's indexes i.e. all households who fall below their individual calculated poverty line (HSL).

Unemployment is one of those things which everybody understands but turns out to be quite difficult to define and to measure. Unemployment entails significant costs to the individuals who are unemployed as well as to society at large. The unemployed may become discouraged; they may also lose their self-esteem and confidence. This may affect their motivation to search for employment opportunities; the longer they are unemployed the more they may lose their skills. The unemployed suffer mental and physical hardship and unemployment poses a serious threat to social and political stability. The problem of unemployment lies at the root of most other social problems. The loss of unemployment and the consequent loss of income, status and self – esteem brings in its wake a host of personal and domestic difficulties and communal problems.

Unemployment can also be viewed as a measure of economic efficiency. Unemployment constitutes a permanent loss of output and high unemployment figures indicate that an economy is losing in terms of potential output. Unemployment can be viewed as a state of an individual looking for a paying job but not finding one. There are different types of unemployment. The causes differ with the type and the same applies for the cure. There is frictional unemployment which is a result of normal labour movement, structural unemployment which can persist even in the long run, cyclical unemployment associated with the changes in the demand and output and lastly seasonal unemployment which can be anticipated and therefore contingency plans made. Different methods are used to measure unemployment and none are without shortcomings.

The way unemployment is measured determines the ultimate figure. The economic policies that are adopted to fight unemployment are based on the resultant figure obtained.

Because the level of unemployment is such an important indicator to the health of the economy, the governments of industrialized countries have elaborate systems of measuring it. An example is the census method which counts the number of people, at a given point in time in a country, and collects information about their demographic, social and economic characteristics, such as their employment and unemployment status. The survey method can also be used to enumerate the unemployed. In this method, a representative sample of the whole population is questioned regarding their work status. Surveys are taken on a sample and the sample results are meant to represent the whole population

The different conceptualisations of unemployment give insights into its causes. The literature of the causes of unemployment follows thinking from different schools of thought. The classical view sees unemployment as due to the wage being too high. More workers would like to be employed, but, at the present level of wages, employers cannot afford to take them on, while Keynesians regards unemployment as results of insufficient expenditure i.e. demand efficiency. The Keynesians contrast the classical view on the importance of wage reduction during difficult times to curb unemployment; their view is that if wages are reduced this would reduce aggregate demand, therefore reducing the demand for goods and services, causing firms to adjust their output downwards and thus reducing their demand for labour.

Inequality is also studied. Poverty is not the same as inequality. Inequality shows relative living standards of the entire population, not only the poor's living standards. Although poverty and inequality are related, the one does not assume the other. Even though poverty does not assume inequality, measures of inequality are useful in the evaluation of relative poverty. The measures of inequality were further discussed. The Lorenz curve shows the distribution of income earned over a given period in relation to its recipients, whereas the Gini coefficient measures the degree of inequality based on the areas on the Lorenz curve. The human development index (HDI) is a composite relative index, which attempts to quantify the extent of human development within a community.

The Human Poverty Index (HPI) which was developed in 1997 and is calculated using separate formulae for developed and developing countries. While the HDI measures average achievement, the HPI (for developing countries) measures deprivation. The Human Opportunity Index on the other hand, is a synthetic measure of inequality of opportunity in basic services for children. The index holds that a development process in which society attempts to equitably supply basic opportunities requires ensuring that as many children as possible have access to those basic opportunities. The decile dispersion ratio presents the ratio of the average consumption of income of the richest 10 percent of the population divided by the average income of the bottom 10 percent. This ratio can also be calculated for other percentiles.

8.3 THE ECONOMIC PROFILE OF KWAKWATSI

The population size of Kwakwatsi was estimated at 13 226. The average household size for Kwakwatsi was determined at 3.89, compared to a household size of 3 for Ngwathe Municipality (of which Kwakwatsi is part of). There is a low frequency of fathers compared to mothers for the area; 14% and 22% respectively. Kwakwatsi has more females (53.8%) than males (46.2%). 25% of the population has moved to the township in the last ten years. A literacy analysis of the area shows that 69% of the school going population is still in primary school. With the post school population, only 15% has an education level of grade 12 or higher.

The unemployment rate in Kwakwatsi is calculated at 79% for 2009 and there are, on average, 1.3 unemployed persons per household, compared to a national unemployment rate of 23.5% for the second quarter of 2009. Of the employed, 15% is formally employed with 6% working in informal activities. The female population is more affected by unemployment compared to males. There seems to be a link between education levels and unemployment for the area; 40% of the unemployed have an education level of grade 7 and lower.

The majority of the inhabitants of Kwakwatsi are economically non-active (56%), these includes children and the aged. The analysis shows a high labour absorption in domestic/gardening services (21%). Other major sectors of employment are community, social, education, training and personal services (19%); mining/quarry (14%), and agriculture (14%). The dependency ratio which shows the number of people dependent on the income of one income earner was calculated at 4. This means that on average each income earner has to support 4 non-income earners.

Salaries contribute 45.96% to the average household income, informal earnings less than a percentage, pension grants are the second highest contributor at 31.92%, the child support grant 15.83% and other grants, subsidies, gifts from family, etc. contribute 6.25% to the household income. The average household income for Kwakwatsi was estimated at R1409.01 in 2009.

The expenditure patterns of the residents show that 34.4% of household income goes to buying food and cleaning material. This makes food the most important expenditure for each household. The second biggest single expenditure is electricity at 6.4%. The total annual expenditure for Kwakwatsi shows that on average R57 million is spent on different household items per annum. Food expenditure remains the highest expenditure with a total annual spend of R19 million. Furniture is bought on a lay-by basis, due to the lack of credit worthiness of many households. The households do not have bond costs as many stay in shacks or in RDP houses.

The majority of the residents (76%) regard the environment as littered and dirty and also feels that something should be done to clean the environment. On the question of who should be responsible for coming up with initiatives to keep their environment clean, 37% regard it as the Municipality's as part of its service delivery mandate, and 43% are of the opinion that a campaign should be organised. When it comes to air pollution, 53% of the respondents are affected by it. Of the affected, 2% said that the condition is unbearable and 26% saying that they are badly affected. 47% of the population said that they are not affected by air pollution.

An analysis of the cooking and heating methods employed in Kwakwatsi shows that 60% of the respondents make use of a fire for cooking and heating. 32% of all

households indicated that they use electricity for cooking. When it comes to crime, roughly one out of every 10th house was exposed to one form of crime or another in the last 12 months. Of those affected, 83% were in connection with theft and 17% in connection with assault (implying that 306 households were affected by crime in the last 12 months).

8.4 POVERTY PROFILE OF KWAKWATSI

The results of the empirical survey were analysed to compile a poverty profile of Kwakwatsi. 72.9% of all households in Kwakwatsi are poor. This means that 2 479 of the 3 400 household have incomes less than the poverty line. Of the poor 12.1% of are earning incomes less than 20% of their respective poverty line. The poverty gap index, which measures the average income shortfall of the poor, was calculated at 0.56. This means that on average, poor household have an income shortage of 56% of their poverty line. The average monetary shortfall per household for Kwakwatsi was calculated at R1 158; representing the average amount needed by poor households to make up the difference between average household income and the poverty line. The monthly shortfall of all households is calculated at R2.86 million and R34.43 million per annum. The average monthly income for an average poor household is R688 compared to R1 409 for Kwakwatsi as a whole.

The average household size of the poor is 4.1, compared to 3.89 for the whole of Kwakwatsi. 26% of the poor have stayed in Kwakwatsi for a period of 10 years and less. There is a lower percentage of fathers (13%) compared to mothers (21%) in poor households. This might be an indicator of a high incidence of single parenting.

There are more females (53%) than males (47%) in poor households. For the poor, 42% is less than the age 20. The unemployment rate of the poor is 86.9% compared to 79.0% for the whole of Kwakwatsi. Of the unemployed 53% are male and 47% female. The majority of the unemployed are in their youths; 41% of the unemployed is younger than the age of 35. A look at the length of unemployment shows that 35% have been unemployed for a period greater than 11 years.

When it comes to the educational qualifications of the poor unemployed, 39% of the poor unemployed have qualifications in primary schooling education, and 4% are

illiterate. 60% of the poor unemployed are actively looking for a job, with 24% idle. 6.8% and 6.3% of the poor employed work in the formal and informal sector respectively. 41% of the poor employed are older than the age of 40. 67% of those working in the formal sector are males and 33% females. Females seem to be bearing the brunt of unemployment, with 59% of the unemployed as females. The informal sector has a distribution of 57% and 43%, for males and females respectively. A great proportion of the poor works as gardeners and 21% is employed in the agriculture sector. The majority of the poor would like to start self sustaining activities in the areas where they have skills; 25% of the unemployed have skills in building/construction and 23% will like to be involved in building/construction activities.

The average minimum wage at which the poor will be willing to take up employment is R2 343. The minimum wage is different depending on the gender of the respondent. The average minimum wage for males is R2 649 whereas for females it is R2 142.

When compared to the mean wage of the total employed population, the table shows that for all sectors, the mean wages of the poor are much less than the non-poor. The average monthly income for an average poor household is R688 compared to R1409 for Kwakwatsi. This shows that the poor's average household income is half that of an average household in Kwakwatsi. Salaries and wages contribute 19.4% to the poor's household income; this is in comparison to a contribution of 45.9% for the township as a whole. Pension grants seem to make a significant contribution to household income. 40.6% of the poor's household income is made up of the state old pension grant. The gender distribution of the state's old pension grants show that the majority of the grant earners are female (70%). The poor (77%) believe that the child support grant leads to increased cases of teenage pregnancy.

The expenditure pattern of the poor shows that 49.2% of a poor household's income goes to buying food and cleaning material. The next biggest item on the household's list is electricity (9.3%).

When it comes to the sources of energy, 64% of the poor households are using wood and coal for cooking and heating the household, 28% are using electricity and 8% paraffin. 77% of the poor feel that their environment is littered, untidy and dirty and

18% said that it is clean. The same views were given about air pollution, 54% of the poor said that they are affected by the level of air pollution in the area. 2% said that they are badly affected and 3% saying that the situation is unbearable. The poor believe that the national government is doing enough to create jobs. The level of the local municipality's service delivery is also satisfactory, although 68% of the poor households said that they are not aware of any employment generating project initiated by the municipality. The areas of concern with service delivery includes roads, water, electricity, housing and recreational facilities.

8.5 THE ECONOMIC SUSTAINABILITY OF KWAKWATSI

The economic sustainability of Kwakwatsi was related to the growth in poverty and unemployment over time, and to the ability of the local economy to create employment opportunities for its residents. An analysis of the status quo and envisaged future employment programmes was undertaken to assess whether the economy of Kwakwatsi is able to support its inhabitants economically. Due to the fact that all economic activity for Kwakwatsi happens in Koppies (a nearby town), an analysis of the economic potential of the town (and not Kwakwatsi) was undertaken. The Municipality's current IDP was also analyzed in terms of developmental programmes earmarked for Kwakwatsi.

Kwakwatsi/Koppies is one of the towns within the Ngwathe Municipality, situated in the Northern Free State. The Municipality's IDP shows an estimated populations size of 141 783. The majority of the Municipality's population are females (53%). The latest official unemployment rate for the municipality was 43.1%, estimated for the year 2006 and 65.5% of the total population was said to be poor in the same year. When it comes to the form of housing the residents of the municipality occupy 77% of housing within Ngwathe Municipality was of formal structure.

For Kwakwatsi, 46.8% of housing in the area is of formal structure and 53.2% of houses are informal structures (shacks). This shows that Kwakwatsi is more impacted by the hardship of unemployment and poverty, compared to the average of the entire Municipality.

The majority of the mainly retail stores within the town of Koppies do not have any proper accounting procedures. Most of the economic activity in Koppies involves selling; 72.5% of economic activity is in the wholesale and retail trade. The finance, insurance and real estate sector has two banks (Absa and FNB), the Post Office and an estate agent with two employees.

The study has shown that 72.9% of all households in Kwakwatsi are poor. Of the poor 12.1% of are earning incomes less than 20% of their respective poverty line. The poverty gap index which measures the average income shortfall of the poor was calculated at 0.56. The unemployment rate in Kwakwatsi is calculated at 79% for 2009. Of the employed, 15% is formally employed with 6% working in informal activities. The majority of the inhabitants of Kwakwatsi are economically non-active (56%). The unemployment rate of the poor population was calculated at 86.9%. The average monthly income for a poor household is R688. 45% of all households in Kwakwatsi depend on the state old pension grant as the main source of income. The analysis of the sources of income of the poor showed that government grants make up 79% of household income.

The expenditure patterns of the residents of Kwakwatsi show that 34.4% of household income goes to buying food and cleaning material. This makes food the most important expenditure for each household. The second biggest expenditure is electricity at 9.27%. The total annual expenditure for Kwakwatsi shows that on average R57 million is spent on different household items per annum. Food expenditure remains the highest expenditure with a total annual spend of R19 million for the whole township. The poor have limited opportunities to supplement their income. The fact that a considerable number of people in the area fail to live a decent standard of living due to a lack employment opportunities indicates that unemployment is the primary cause of poverty in Kwakwatsi.

The economic sustainability of Kwakwatsi will be determined by the income generating activities in the area, household income derived from various sources, projects proposed by the LED strategy. A perusal of the Municipality's Integrated Development Plan (IDP) shows a limited number of projects aimed at employment generation and

poverty eradication. Of the Municipality's total budget, R1.7 million (0.56%) has been budgeted for social security projects and poverty alleviation for Ngwathe Municipality as a whole. Most of the streets in Kwakwatsi are not tarred and 53.2% of houses are of informal structures, also called shacks. There was no local database of businesses or economic information for the area. LED programmes for Kwakwatsi seem noble but the lack of deadlines and immediate prioritisation makes it difficult for the on-going evaluation of the Municipality's IDP. The Municipality's service debt of R 135 million is proof of an urgent need to develop employment generating projects as many households argue that the main reasons for the non-payment of services is that they are unemployed.

Future changes in terms of poverty and unemployment were undertaken, showing consequences of lack of intervention in the economy of Kwakwatsi. The trends are estimated until the year 2020. This was done by observing the percentage shares of the different factors (unemployment, population growth, poverty) for the African population of Ngwathe Municipality in the parent population (FS Province) in one or more past dates. These percentages were then projecting into future dates (the reference dates were 2000 to 2007) and applying the proportions/percentage shares into independently derived projections of the parent population. The final figures for Kwakwatsi were then estimated by converting back proportion shares of Kwakwatsi from Ngwathe.

When it comes to the future patterns of unemployment and poverty in Kwakwatsi the results shows an unsustainable economy. The estimated population growth rate for Kwakwatsi over the period 2010 to 2020 is 0.8%. Although the population of Kwakwatsi is expected to grow, this will probably happen at a slower pace as more people opt not to stay within the area due to limited employment opportunities. Unemployment within the area is expected to increase as more people move into higher age categories. The unemployment rate for Kwakwatsi is estimated to increase from 79% in 2009 to 85.44% in the year 2020. There is an estimated increase in the economically non-active population over the same period, thus increasing dependencies with the area; 56% of the total population was found to be economically non-active and this figure will increase to 65.6% in 2020.

The poverty rate for Kwakwatsi is estimated to continue to increase; from 72.9% in 2009 to 82.6% in 2020. There is a link between unemployment and poverty in Kwakwatsi. The average annual increase of poverty is estimated at 0.89%, and 0.34% for unemployment between the years 2010 to 2020.

From a policy perspective, developing an economy involves efforts that seek to improve the economic wellbeing and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes and the tax base. Some of the Municipality's plans for Kwakwatsi seem noble but are found wanting when it comes to the details. There is a pro-poor rhetoric but this is not translated into specific budgets and measurable action plans. It is highly unlikely that the residents of Kwakwatsi will get any substantial employment creation programmes in the near future. This will probably lead to the maintenance of the status quo as well as to an increase in poverty and unemployment. Kwakwatsi is not economically sustainable and this calls for an urgent need for intervention.

The study proposes a local production of basic items consumed by the residents. These activities could increase the final demand of the area, thereby reducing the number of households below the poverty line (headcount) and the income shortfall of poor households to their poverty line (poverty gap). If some projects focusing on the poor unemployed who are currently looking for employment are created at a minimum monthly income of R500 per person for each poor unemployed person, the poverty rate could be reduced from 72.9% to 52.9% in Kwakwatsi. At a minimum income of R1000 for each unemployed person, the poverty rate would be reduced to 21.8%.

Through an inward industrialisation process, even those who will not be able to move out of poverty will have incomes closer to their poverty line. Currently 7.3% of the poor have incomes between 91-100% of their poverty, compared to 43.2% as a result of an intervention. The poor with incomes between 70-80% of their poverty line will increase from 13.7% to 27%.

The extent of poverty and unemployment in the area indicates to an unsustainable economy with no productive activity. There is an urgent need to recognise the imperative of intervening in the local economy of Kwakwatsi to reverse a possible long

term economic decline. A number of projects can be identified with the involvement of local stakeholders to stimulate the economy. There is limited economic activity in Kwakwatsi/Koppies to support its inhabitants.

8.6 RECOMMENDATIONS

This section proposes possible employment-generating strategies aimed at poverty alleviation. It should be emphasised that the strategies indicated herein need further and more detailed investigation. The information provided can go a long way in providing valuable information when setting up community development programmes. These recommendations are of both a specific and a general nature.

8.6.1 Specific Recommendations

The challenge of the new South Africa has been that of creating wealth and reducing the scourges of poverty for all its inhabitants. With the need to address the inequalities of the past, the national government has undertaken a number of distributional policies, with social grants being the most eminent. At the heart of the economic transformation has been the adoption of a local economic development framework which underpins the planning and employment creation at the local level or municipalities.

Local economic development often focuses on attracting businesses under the assumption that the jobs generated by those businesses will generate local income and, in turn, local spending of such income. Local economies are often described through the "leaky bucket" model in which the bucket represents the local region and money can both circulate within the bucket and flow in and out. Money circulates within the region when money that is earned locally is also spent locally. The "leak" in the bucket that allows money to escape from the community is created when goods and services from outside the region are purchased with local money. It is typically assumed that a robust economy requires both the availability of capital and its circulation within a region (Basu, 2005).

In terms of the leaky bucket, the focus is on ensuring that money continually flows into the local region so that there will be at least some available for circulation. But continuously filling the bucket is not the only option; one can also keep more money circulating within the local economy by plugging the leakage of capital from the system. A way of preventing money from leaking out of the community is to ensure that local demand for goods and services is satisfied by local suppliers. In the absence of suppliers, a local production of these items can help in reducing unemployment within an economy. By substituting demand for externally produced goods with locally produced ones, Kwakwatsi community can retain capital for use within the community (Basu, 2005).

There are ample opportunities for a process of import substitution (Inward Industrialisation) in Kwakwatsi, especially with regards to the production of mealie meal, bread, meat/chicken and vegetables, and even washing powder. It is recommended that the production of these products on a small scale, with labour intensive techniques be investigated, as well as the skill requirements to operate such enterprises. The results of the study show that, although these products are bought in Kwakwatsi, none are produced within the area. About 14% of the unemployed (an estimated 659 persons in Kwakwatsi) would, for example, like to be involved in catering/cooking activities to sustain themselves. This activities could be related to the production of a product like bread, which has an estimated monthly expenditure of R84 000 (R1 million per year) for the community, and maize meal expenditure amounting to R342 924 per month (R4.1 million per year).

The residents of Kwakwatsi consume a total of 98 600 kilograms of mealie meal per month, amounting to an expenditure of R343 000 per month (R4.1 million per year). R206 000 is spent monthly on meat (R2.4 million per year), R84 000 on bread (R1 million per year), R73 000 on vegetables (R881 000 per year) and R147 000 on washing powder per month (R1.8 million per year). The total expenditure on these five items amounts to R10.2 million per year, which can provide an ample opportunity for an inward industrialization process, whereby some of these products may be produced by local residents for the Kwakwatsi community.

If opportunities for the production of the above products for local consumption could be focussed on the poor unemployed who are currently looking for employment, at a minimum monthly income of R500 per person, a number of employment opportunities can be created. The assumption is that 30% of the total expenditure amount, if the products will be produced locally, is allocated to labour. In total 512 employment opportunities could be created.

The study also shows that of all poor unemployed who are unemployment receive a minimum monthly income of R500 per person; the poverty rate could be reduced from 72.9% to 52.9% in Kwakwatsi. At a minimum income of R1000 per person, the poverty rate would be reduced to 21.8%. The figure shows that even those who will not be able to move out of poverty now have incomes closer to their poverty line. Currently 7.3% of the poor have incomes between 91-100% of their poverty, compared to 43.2% as a result of an intervention. The poor with incomes between 70-80% of their poverty line will increase from 13.7% to 27%.

8.6.2 General Recommendations

From the analysis it appears that a cleaning up of the area will have a major impact on the community. In monetary terms it will release the community of an estimated environmental "burden" of R5.9 million per year. A large percentage of the respondents mentioned that a campaign should be organised to clean up Kwakwatsi. This proposal needs to be investigated. It is important that the campaign be organised in such a manner that once the area is cleaned, organisations and systems will be put in place to maintain the cleanliness.

Attention should also be given to the dust, air and noise pollution. It appears that households are quite prepared to be exposed to new technologies to reduce the level of air pollution. The planting of trees may serve as windbreaks that may reduce the volumes of dust. Concerning noise pollution, most respondents that are affected believe that the police should control the levels of noise coming from the houses and shebeens that are playing loud music and are using amplifiers to attract customers.

The building and construction field also has a considerable interest from the community 22% (an estimated 1023 persons) of the unemployed. An SMME in this sector can be established with the aim of tendering for lucrative contracts through the government's public works' programmes. An estimated 295 persons are interested in agriculture / gardening. Land can be identified within the Municipality to establish sustainable small scale farming. Some of these respondents have some experience in farming as they have relocated from the surrounding farms where they worked as farm labourers. These vegetables can be sold to the general public and ultimately to small convenience stores in the township. A culture of urban farming should be promoted by assisting households with food grown from own yard.