AN INVESTIGATION INTO THE ECONOMIC SUSTAINABILITY OF KWAKWATSI

BY

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“The future is not a result of choices among alternative paths offered by the present, but a place that is created - created first in the mind and will, and created next in activity. The future is not some place we are going to, but one we are creating. The paths are not to be found, but made, and the activity of making them, changes both the maker and the destination” — John Schear
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DECLARATION

I declare that

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is my own work and that all the resources used or quoted have been duly acknowledged by means of complete references, and that I have not previously submitted the thesis for a degree at another university

__________________________
Tshediso Joseph Sekhampu
ABSTRACT

The study on which this thesis is based, investigated the economic sustainability of Kwakwatsi. Kwakwatsi is a former black township in the Free State Province of South Africa. The economic sustainability of the township was determined by the income generating activities in the area, household income derived from various sources, projects proposed by the LED strategy, and the impact these may have on poverty and unemployment in the area. The premise is that in a sustainable economy, poverty and unemployment is reduced over time. To measure the sustainability of the township, data relating to the status quo in terms of poverty and unemployment was captured at a point in 2009.

The study employed household indicators to map an economic profile of the area. Poverty and unemployment are defined and then measured for the township. The HSL which 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 was used as a measure of poverty in the area. The survey results showed that 72.9% of all sampled households are poor and on average have an income shortage of 56% to the poverty line. The average monetary shortfall per household is calculated at R1158. The average monthly income for a poor household is R688. Of all sampled households, 45% depend on the state's old-age pension grant as their main source of income. The analysis of the sources of income of the poor showed that government grants constitute 79% of household income, with the state old pension grant alone contributing 40% to household income for a poor family. The unemployment rate of the poor is 86.9% compared to 79% for the whole sample population. The expenditure patterns of the residents show that 34.4% of household income goes to buying food.

A considerable number of people in the area fail to have a decent standard of living due to a lack of employment opportunities. Unemployment is the primary cause of poverty in Kwakwatsi. In the absence of any intervention, the poverty rate for Kwakwatsi is estimated to continue to increase from 72.9% in 2009 to 82.6% by 2020.
The average annual increase of poverty and unemployment between the years 2010 to 2020 is estimated at 0.89% and 0.34%, respectively. The unemployment rate for Kwakwatsi is estimated to increase from 72.9% in 2009 to 85.44% in 2020.

The impact of the local production of basic household items was determined using the poverty impact model. The adoption of an import substitution initiative by producing goods for local consumption can help in reducing poverty and unemployment for the area, thus improving the economic sustainability of the area. If 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.
Die studie waarop hierdie stelling gegrond is, ondersoek die ekonomiese volhoubaarheid van Kwakwatsi. Kwakwatsi is 'n voormalige swart dorp in die Vrystaat-provinsie van Suid-Afrika. Die ekonomiese volhoubaarheid van die dorp is bepaal deur die inkomste genererende aktiwiteite in die gebied, huishoudelike inkomste verkry uit verskillende bronne, projekte voorgestel deur die LED strategie, en die impak wat dit kan hê op armoede en werkloosheid in die gebied. Die uitgangspunt is dat met 'n volhoubare ekonomie, armoede en werkloosheid met verloop van tyd verminder. Om die volhoubaarheid van die dorp te meet, data met betrekking tot die status quo in terme van armoede en werkloosheid is by 'n punt in 2009 gemeet.

Die studie het huishouding aanwyser gebruik om 'n kaart van die ekonomiese profiel van die gebied saam te stel. Armoede en werkloosheid is gedefinieer en daarna vir die dorp gemeet. Die HSL wat as 'n skatting van die teoretiese inkomste benodig deur 'n individuele huishouding om 'n bepaalde minimum huishoudelike vlak van gesondheid en ordentlikheid in die kort termyn te handhaaf, was gebruik as 'n maatstaf van armoede in die gebied. Die opname resultate dui daarop dat 72.9% van alle huishoudings arm is en gemiddeld 'n income het tekort van 56% tot die broodlyn. Die gemiddelde monetêre tekort per huishouding is bereken teen R1158. Die gemiddelde maandelike inkomste vir 'n arm huishouding is R688. Van al die waargenome huishoudings, 45% is afhanklik van die staat se ouderdomspensioen as hul hoof bron van inkomste. Die analyse van die bronne van inkomste van die armes het getoon dat die regering subsidies neerkom op 79% van huishoudelike inkomste, met die staat se pensioen toelae wat 40% tot huishoudelike inkomste vir 'n arm gesin bydra. Die werkloosheidsyfer van die behoeftiges is 86.9% in vergelyking met 79% vir die hele steekproef bevolking. Die bestedingspatrone van die inwoners toon dat 34.4% van huishoudelike inkomste gebruik word om kos te koop.

'n Groot aantal mense in die gebied kan nie' n ordentlike lewenstandaard hanskaaf nie weens 'n gebrek aan werksgeneemhede. Werkloosheid is die primêre oorsaak van armoede in die Kwakwatsi. In die afwesigheid van enige inmenging, is die armoede
koers vir Kwakwatsi beraam om verder te verhoog vanaf 72.9% in 2009 tot 82.6% in 2020. Die gemiddelde jaarlikse toename van armoede en werkloosheid tussen die jare 2010-2020 word geskat op 0.89% en 0.34% onderskeidelik. Die werkloosheidsyfer vir die Kwakwatsi word geskat om van 72.9% te verhoog vanaf 2009 tot 85.44% in 2020 verhoog.

Die impak van die plaaslike produksie van basiese huishoudelike items, is bepaal met behulp van die armoede impak model. Die aanvaarding van 'n inisiatief van invoervervanging om goedere vir plaaslike verbruik te produseer, kan help met die vermindering van armoede en werkloosheid vir die gebied, wat tot die verbetering van die ekonomiese volhoubaarheid van die gebied. As projekte wat fokus op die werklose armes wat op soek na werk is, geskep met 'n minimum maandelikse inkomste van R500 per persoon vir elke arm werklose persoon, kan die armoede-tarief verminder van 72.9% tot 52.9% in die Kwakwatsi.
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LIST OF ABBREVIATIONS

ANC African National Congress
ASGISA Accelerated and Shared Growth Initiative for South Africa
CASE Community Agency for Social Enquiry
CRISE Centre for Research on Human Inequality, Security and Ethnicity
CUED Council for Urban Economic Development
DPLG Department of Local Government
ES Equity Share
EU European Union
FAO Food and Agriculture Organization of the United Nations
FGT Foster, Greer and Thorbecke
FS Free State
GEAR Growth, Employment And Redistribution
GDP Gross Domestic Product
GNP Gross National Product
HDI Human Development Index
HEL Household Effective Level
HPI Human Poverty Index
HSL Household Subsistence Level
HSRC Human Science Research Council
IDP Integrated Development Plan
ILO International Labour Organisation
IT Information Technology
LDCs Least Developed Countries

An investigation into the economic sustainability of Kwakwatsi
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<td>LED</td>
<td>Local Economic Development</td>
</tr>
<tr>
<td>LGTA</td>
<td>Local Government Transition Act</td>
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<td>MLL</td>
<td>Minimum Living Level</td>
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<td>NDPG</td>
<td>Neighbourhood Development Partnership Grant</td>
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<td>NGOs</td>
<td>Non-Governmental Organisations</td>
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<td>NSDP</td>
<td>National Spatial Development Perspective</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>OHS</td>
<td>October Household Survey</td>
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<td>PDL</td>
<td>Poverty Datum Line</td>
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<td>RDP</td>
<td>Reconstruction and Development Programme</td>
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<td>RSA</td>
<td>Republic of South Africa</td>
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