

The Karoo as Economic Region

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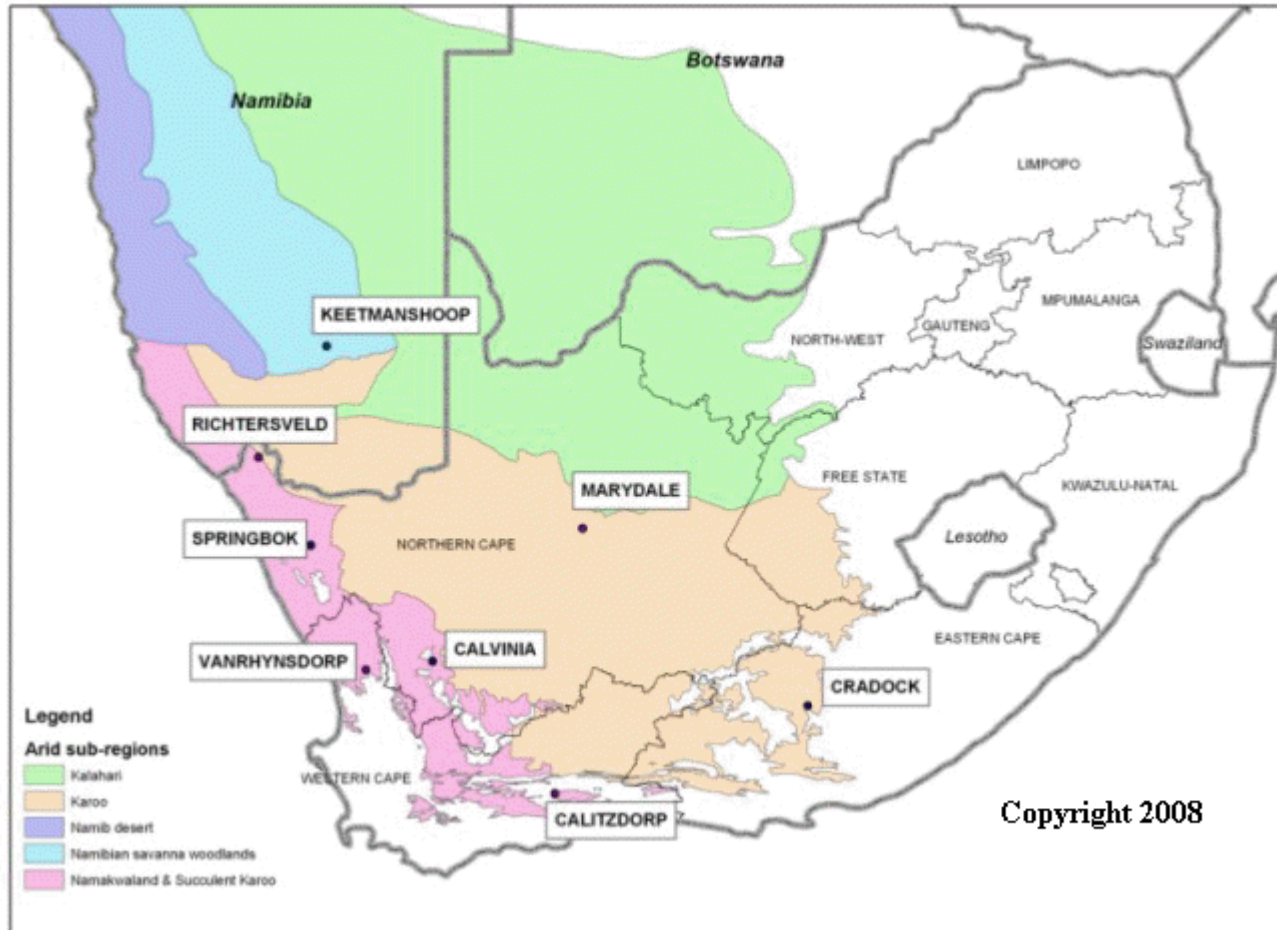
Department of Economic
Development and Tourism

Introduction

- Economic overview about Karoo
- Overview about NSDP
- Critical evaluation of NSDP
- Focus on Regional Development
- New Economic Geopgraphy
- Clustering
- Conclusion

Economic Overview

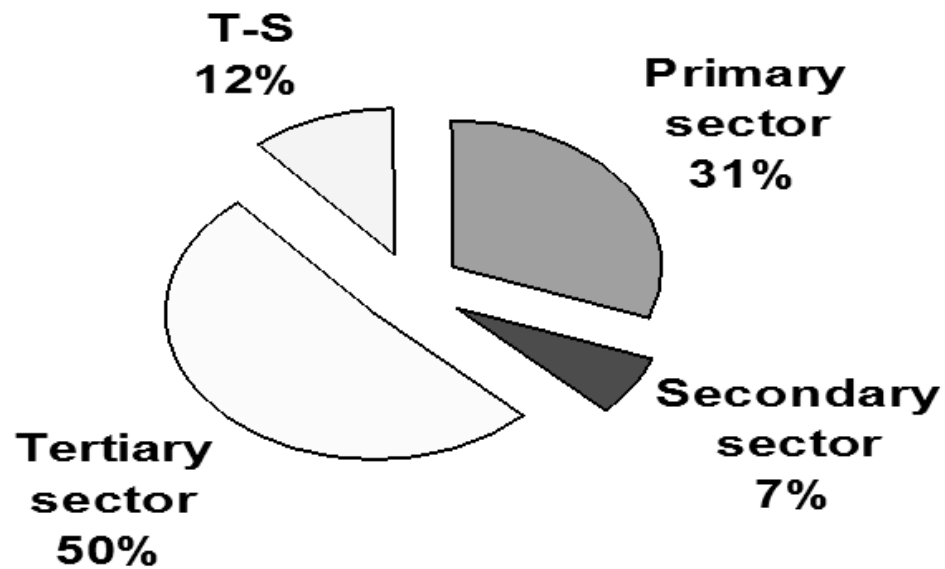
Karoo



Geography

- 30% of countries land mass
- 2,2% of the population

Sectoral contribution



Source: Statistics South Africa, 2007

Unemployment in the Karoo

Table C: Employment by province

	Jul-Sep 2008	Apr-Jun 2009	Jul-Sep 2009	Qrt to Qrt change	Year-on-year change	Jul-Sep 2009
	Thousand					% share
Total	13 655	13 369	12 885	-484	-770	100,0
Western Cape	1 865	1 898	1 868	-30	3	14,5
Eastern Cape	1 315	1 353	1 258	-95	-57	9,8
Northern Cape	308	283	255	-28	-53	2,0
Free State	842	773	758	-15	-84	5,9
KwaZulu-Natal	2 583	2 457	2 458	1	-125	19,1
North West	868	849	789	-60	-79	6,1
Gauteng	4 063	3 953	3 719	-234	-344	28,9
Mpumalanga	924	897	881	-16	-43	6,8
Limpopo	888	906	899	-7	11	7,0

*Due to rounding, numbers do not necessarily add up to totals.

National Spatial Development Perspective

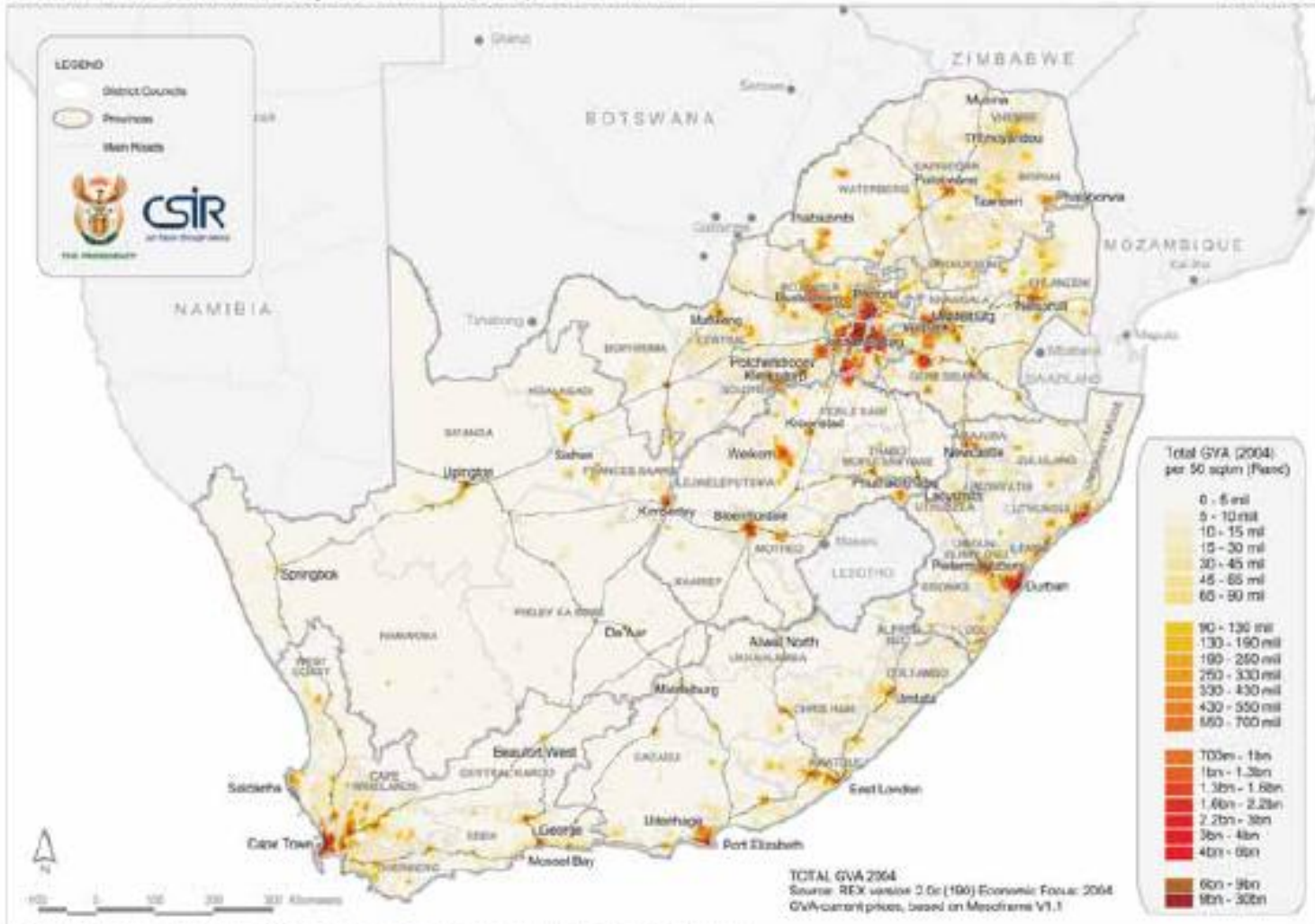
Principles

- Importance of Economic Growth
- Provision of basic services
- Fixed investment in area with “potential”
- Only basic service for areas with “limited potential” – promote migration
- Future settlement linked to growth centres

NSDP perspective on NC

Distribution of economic activity based on GVA (2004), SOUTH AFRICA

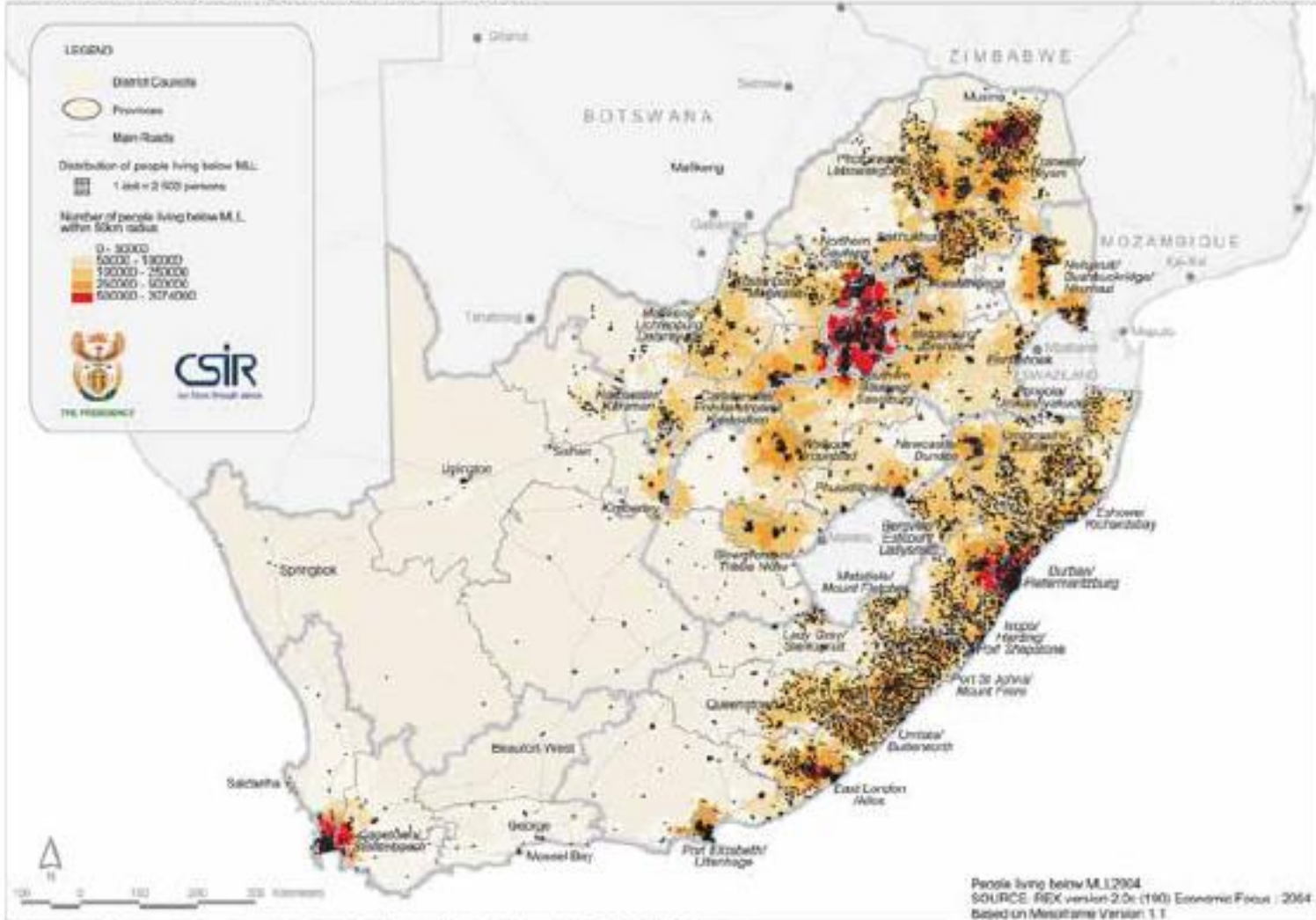
NSDP 2006



Poverty

Distribution of people living below MLL, SOUTH AFRICA

NSDP 2006



Evaluation- National Perspective

- Makes perfect sense
- Covers majority of poor and economic activity
- Karoo however is an exception

Evaluation NC perspective

- The metropolitan bias of the NSDP
- The use of aggregate numbers versus percentages
- The NSDP policy proposal for areas with limited economic potential

Impact of new focus on rural development

- Possible solution to poorer areas
- DTI Led Capacity building program
- Will national government still stick to current views on NSDP?
- Possible contradiction with NSDP

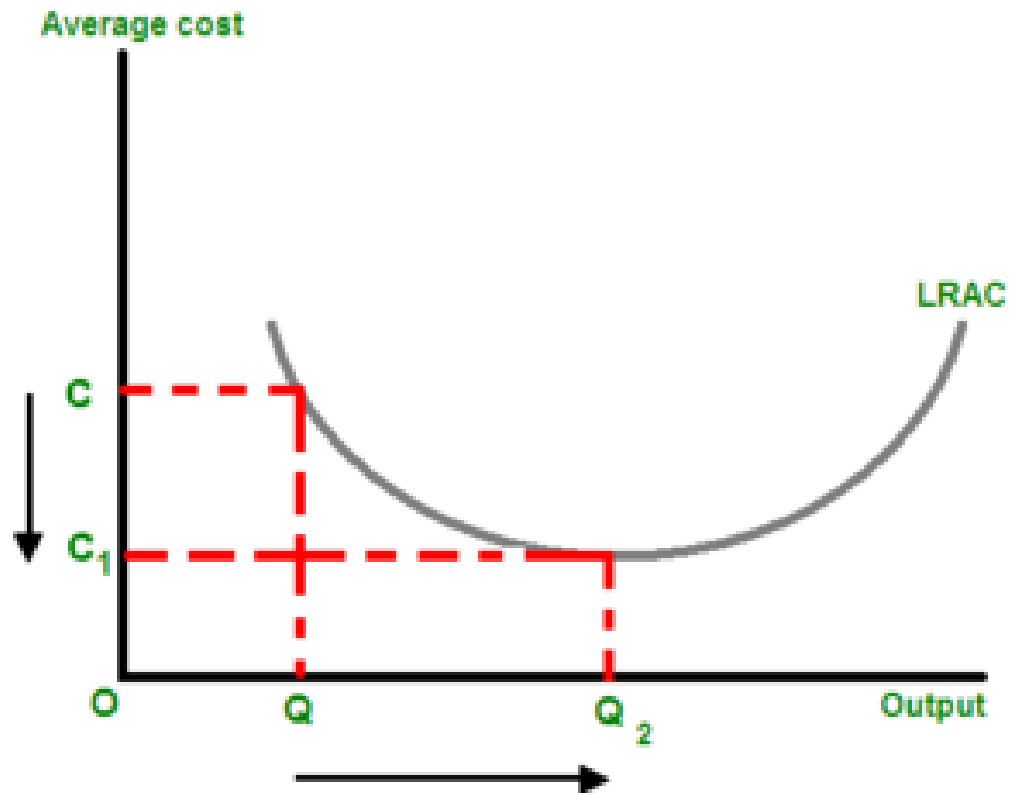
New Economic Geography

- Country can endogenously be differentiated into industrialized core and agricultural periphery
- Marshall- workers, other industries, cluster
- Krugman- economies of scale, transportation cost and manufacturing % of total output

Transport Cost

- Minimize transportation cost
- Locate in sites with relatively high demand

Economies of Scale



Share of manufacturing in national income

- Circular causation argument
- Large non-rural population will create large demand
- Will attract even more people to urban centre
- Based on initial conditions in each region

Policy implications

- NEG and NSDP
- 50% of world GDP by 15% of population
- 40% of jobs in America in 1,5% of land area
- developing regions to support agglomeration to boost economic growth

NEG and developing periphery

- Periphery will stay poor
- Equity-efficiency trade-off
- Lowering transport cost can lead to dispersion
- Inefficiency of Transnet and distances in Karoo limits this possibility

NEG and developing periphery (cont)

- Infrastructure to promote regional competitiveness and economic growth
- Openness for trade- higher wages
- Labour – vocational training and subsidies to bridge wage gap

Spatial economic develop: A second opinion

Clustering

Clustering in the Karoo

- Clustering addresses issues relating to high transportation cost and local demand addressed by NEG
- North West Study
- Manufacturing Centres
- Prerequisite – should focus on local demand

Conclusion

- Solution to rural development not as clear as indicated by NSDP
- NEG and Clustering
- Need for further research